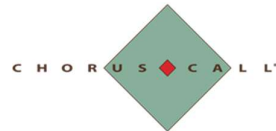




“AGI Greenpac Limited
Q1 FY ‘24 Earnings Conference Call”
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Dolat Capital



MANAGEMENT: **MR. RAJESH KHOSLA—PRESIDENT & CHIEF
EXECUTIVE OFFICER —AGI GREENPAC LIMITED
MR. OM PRAKASH PANDEY—CHIEF FINANCIAL
OFFICER—AGI GREENPAC LIMITED
MR. SANDEEP SIKKA—GROUP CHIEF FINANCIAL
OFFICER**

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

Moderator: Ladies and gentlemen, good day, and welcome to the AGI Greenpac's Q1 FY '24 Earnings Conference Call hosted by Dolat Capital. 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. I would now like to hand the conference over to Mr. Sachin Bobade from Dolat Capital. Thank you, and over to you, sir.

Sachin Bobade: Thank you, Carol. On behalf of Dolat Capital, I welcome you all to the Q1 FY '24 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 and Chief Executive Officer; Mr. Om Prakash Pandey, Chief Financial Officer; and Mr. Sandeep Sikka, Group Chief Financial Officer. Now I hand over the floor to the management for their opening remarks, and then we would have a question-and-answer session. Over to you, sir.

Sandeep Sikka: Good evening everybody and welcome to AGI Greenpac's Q1 FY24 earnings call. We have already circulated our earning presentation which is also available on our website and the stock exchange website. We hope you have gone through the presentation and we would be happy to answer any question afterwards.

We are happy to announce that we started the year with a positive note with a strong quarterly performance. Company's revenue from operation increased by 7% Y-o-Y, increasing from ₹522 crores in Q1 FY23 to ₹558 crores in Q1 FY24.

Despite a scheduled and planned furnace shutdown for relining the 325 ton furnace, the company's recorded EBITDA of ₹140 crore, achieving an impressive 52% year-on-year growth, with stable margins of 25%. EBIT for the period amounted to ₹103 crore, a 63% year-on-year growth, with margins of 18%.

The overall performance improvement is attributable to various factors, including our emphasis on high value-added products, our favourable product mix, market demand and also the internal efficiencies on which we have worked on. The profit before tax for the period totalled ₹85 crores increased by 55% as compared to the previous year.

The net profit for the period is totalling ₹63 crores, indicating a marginal decrease of 3.5% compared to previous year, mainly attributed to tax-related impact. You may refer to Note no. 4 of the financial results. The company had opted for exercise of a lower tax option under Section 115BA of Income Tax act last year, which led to a tax reversal in Q1 FY '23 relating to various deferred tax expenses and liability.

As a result, if you see Q1 of the last financial year, the PAT was higher than the PBT. Consequently, the tax expense and then profit after tax between Q1 FY '24 and Q1 FY'23 are actually not apple-to-apple comparable. The net profit margin for the period stood at 11%.

I would request Mr. Khosla, if you can give a brief on the business and operational performance, and then we can take Q&A. Thank you.

Rajesh Khosla:

Thank you, Sandeep. Thank you very much. Good evening, ladies and gentlemen. I am delighted to share with you some of the key highlights of our company's recent performance. During the quarter under review, our glass container business achieved remarkable growth, driven by a rising market demand, a more favourable product mix and our focus on high value-added products. Even with the planned shutdown for relining of one of the furnaces, our glass container capacity utilization during the quarter was close to 90% on the back of efficient planning, operational flexibility, optimize production, processes and strategic inventory management.

The substantial investment in digitalization and automation have further optimized our operations, significantly improving efficiency. Our commitment to growth, value delivery and building a sustainable future is resolute. We harness our competitive advantage to ensure effectiveness and efficiency in serving our clients. Thank you very much, and we are now ready to take any questions from everybody.

Moderator:

Thank you very much. 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. We take the first question from the line of Priyansh an Individual Investor. Please go ahead.

Priyansh:

I have one question and suggestions. Regarding the question, the finance cost as compared to June '22, I'm comparing like Y-o-Y it has almost doubled, like although compared to March, it has reduced and June it was ₹8.3 crores, now it is ₹17.9 crores. So, what efforts we are taking to reduce the finance cost like refinancing or reduction of working capital and so on. So, can you please explain on this one?

Sandeep Sikka:

So, basically, you see the primary impact of this is on account of three reasons. One is the commercial production of 154 ton furnace has started., The interest and depreciation relating to that furnace are coming through. We have ECB loan. On account of exchange fluctuation last year, there was a gain of around ₹2.8 crores. And this year, there is a marginal loss.

Apart from this, as compared to last year, if you see the overall interest rates have increased because of the overall inflationary trend. So 1%, 1.5% interest rate increase has also happened. We actively monitor our treasury. Right now, the overall cost of debt is at around 7.7%, 7.75% weighted average cost of debt. But as the interest rates soften, we will very aggressively renegotiate with our lenders on this.

Priyansh:

So, can we expect some reduction like in the coming quarters?

Sandeep Sikka:

It is all linked to the interest rates basically how interest rate flows. If it comes down definitely, we will renegotiate with the lenders.

Priyansh:

But like you allow me to go in a bit detail so even, for example, this interest rate change or whatever, like this ₹2 crores, but here the impact is of almost ₹10 crores. So I think there is a need to just go in detail like at the company level to see that how we can optimize on this one in regard to the hedging or the products cover whatever required because the amount is from ₹8

crores to ₹18 crores. So, ₹2 crores even interest rate changes become only ₹10 crores. So still there is like jump of ₹8 crores. So this is one point.

Sandeep Sikka:

Yes.

Priyansh:

Okay. And my second, my suggestion, like the company has gone through this shutdown of 325 metric ton furnace. So it's a material event. But I'm surprised that neither is still like is a shutdown notice nor it's restarting notice has been given in terms of the material event as announcement or as disclosure to the stock exchange. So in future, can you please ensure that whenever any shutdown is being done or the furnace restarted do intimations to stock exchange like other companies, for example, this Andhra Paper. They have like gone for shutdown, they announced like one month before they announced or like even before starting like this one shutdown as you start and then restarting should also be announced?

Sandeep Sikka:

If you go through the transcript of our last results, which we did in the month of May, we clearly told that there will be a shutdown. We are very high on the compliances. And did the disclosures to stock exchanges. We make the disclosures as requirements of the exchanges and also the requirements of the market. Apart from it, we always keep communicating, but I would request that if you can refer to our last investor presentation transcript. We had stated that in Q1, the sales and the quantities will be impacted because there is a planned furnace shutdown, which is a very normal part of the glass operations.

But definitely taking your point going forward. It's a normal maintenance it is not a capacity change. The exchange requires that the capacity changes has to be informed.

Priyansh:

No, sir, just I have already gone through the transcript, and I know it was mentioned there, but that is not enough because that was only like 6 weeks before or 4 weeks before. What I am saying

Sandeep Sikka:

Going forward, we'll take care of it.

Priyansh:

Sir, what I'm saying that it when you are really going for shutdown so means like it's going to impact our capacity. It's not only increase like there is decrease also number one. Number two, when the furnace is like this shutdown is finished. So, when you were restarting. So like just another material event which requires disclosure. So kindly just if you have a concern compliance officer to take it through, this will be really helpful.

Sandeep Sikka:

Yes, we have taken your point.

Priyansh:

Okay. Number two, sir, like today, like there is announcement that in case of any query we can approach to your investor relation advisor Churchgate, on 21 July this was announced, right. But today, our representative called to the given number, and I'm sad to inform you that the telephone operator did not even transfer the line to concern person. He was just saying that this is the board line, and you can leave a message. So, we left message also and requesting a call back, none of them called back us. So, in your letter, you are very clearly mentioned that is we can call on numbers so and so. So that number is like useless.

And the other company are also like now a days appointing investor relations advisor and they are giving the mobile number of the contact person in the investor relation advisor, and we have called many times and the person will be very receptive to receive the call and then they come back. But in this case, like there is an urgent need to take some action from your side so that like either they behave properly or we change the investor relation advisor.

- Sandeep Sikka:** Sure. Point taken.
- Priyansh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.
- Nikhil Gada:** Congrats on a decent set of results. Firstly, just a couple of data points I need. If you can share what was the volumes that we did in this quarter? What was the EBITDA per metric tonne? And what was the same for the Specialty division as well?
- Sandeep Sikka:** We are not disclosing separate numbers in each of the segments as such. So what I can disclose as a part of this call is as a result of the shutdown, we lost around 25,000 tonnes in the market during the period of the planned shutdown.
- Nikhil Gada:** So if this volume come in, what kind of growth would we have seen in our volume?
- Sandeep Sikka:** On an average our realization is at around ₹37,000-₹38,000 tonnes and an EBITDA per tonne ranging around ₹10,000.
- Nikhil Gada:** Sir, actually, what I was trying to say is that if we would have made this 25,000 metric tonne of business, what would have been the volume growth that we would have achieved?
- Rajesh Khosla:** It could have been around ₹80 crores or something.
- Nikhil Gada:** So ₹80 crores of revenue were lost basically?
- Rajesh Khosla:** Yes.
- Nikhil Gada:** Okay. Understood. 10,000 tonne metric EBITDA. Okay. And 37,000 was the realization, right?
- Sandeep Sikka:** Yes, on an average realization basis. That's an opportunity calculation. And EBITDA would have been maybe around ₹25 crores higher. We made an EBITDA of ₹140 crores for the quarter. If you adjust that opportunity cost during the shutdown period, the EBITDA would have been around ₹165 crores.
- Nikhil Gada:** Understood. And this does not include the specialty numbers, right?
- Sandeep Sikka:** Specialty numbers are already there as a part of the results in ₹140 crores.
- Nikhil Gada:** Okay. Fair enough. Sir, just secondly, on the overall pricing scenario now that we are seeing the power and fuel cost are sort of going down. How do you see the realization that we are

maintaining? What is your view whether we will see correction over the other clients coming back to us with the option of revising the price downwards?

Rajesh Khosla: The market has multiple price mechanism systems. One is a price mechanism system, which is based on a formula, you might have seen that we have been talking on this issue in last 3, 4 times, where we have been telling that the customers have been giving us whatever cost increases, they give us on a formula basis. So similarly, I think we have to adjust our prices once the fuel prices and other prices come down, we have adjusted. So this is our commitment. This is our formula. This is a transparency.

And on the other part of the business, it is not the related to the formula-based price. It again depends upon demand and supply gaps. And thirdly, it also depends on the type of products that we are manufacturing. So it is quite a complex mix of so many things. But rest assured that if the cost comes down, so certainly market will adjust accordingly. The same thing as the cost has gone up, the market had adjusted accordingly.

Nikhil Gada: And sir, how much would be the formula pricing versus spot?

Rajesh Khosla: As we have already informed earlier also, almost 50% to 60% of our customers are with formula pricing.

Nikhil Gada: Got it, sir. And just one last question on the finance part, while you alluded about the impact. Was there any reduction in debt from 4Q to 1Q?

Sandeep Sikka: If you see the debt last year, on 31, March 2023, the total net debt was ₹523 crores. Now we have a total net debt of ₹566 crores. So that has slightly increased because we invested into relining of the furnace and the other thing, which we did on routine capex.

Nikhil Gada: So then any specific reason the finance cost came down from 4Q to 1Q?

Sandeep Sikka: In Q4, there are such set of entries like exchange fluctuation. There are some bill discounting charges and other things which are there and the utilization has also dropped down on an overall basis during the quarter, and as a result of which the interest cost has reduced. So it's a mix of long-term debt and short-term debt.

The continuity of the long-term debt is there, but in the interim, the spending which happened on the relining, happened in the middle of the quarter.

Nikhil Gada: Okay. So is it fair to assume that, the interest expense will remain in this range for quarter, or it will go a bit higher?

Sandeep Sikka: It should remain in this range only, but slightly go higher because, as I said, some part of the debt was taken in the second half of the quarter. But then going forward, we'll have the incremental EBITDA and the cash flows also. More or less in this range only, maybe ₹1 crores here and there around that.

Nikhil Gada: Yes. Sir, just last question on the power and fuel part. Do we expect any further improvement in the power and fuel expense? Or do you think most of the benefits are more or less priced in?

- Sandeep Sikka:** Rajesh, you can talk.
- Rajesh Khosla:** Okay. Let me answer. There are two aspects -the power and fuel. One is the consumption and one is the price. Price impact is purely on the basis of whatever the government announced the price because fuel prices are more or less regulated by the government. We have to follow that. And otherwise also the world trend.
- Regarding the consumption part, there is a continuous exercise because of our sustainability efforts and even because of our cost saving efforts, where we try to reduce the consumption of fuel, or the consumption per ton of the glass, whatever we produce continuously. We have been engaging with the global agencies. We have been engaging with other consultants to reduce our fuel cost.
- So right now, these are the two things. The third thing is also important, which is the mix of the fuel. So right now, whatever is the mix available in the market, we are using those mix to our maximum advantage. But no any further type of fuel, which is now going to be available in the future, which can impact our fuel mix. So there is no such thing hindsight. So only we can rely on the global prices or I can say, regulated prices. The rest, everything is a very linear type of curve, which is continuously going down and the results are also showing the same thing.
- Nikhil Gada:** Thank you for the elaborated answer. All the best.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir, just reconfirming on the capacity now. So this 1,754 tons that you had get added by 100 tons after the debottlenecking and is it done?
- Sandeep Sikka:** Yes, the capacity has been added since the whole capex got completed only on towards the end the quarter. So the utilization of capacity effect will come in the coming quarters.
- Pritesh Chheda:** I did understand that, you mentioned that container glass capacity utilization was 90%, which was 99% in quarter 4. So was there any fall in capacity utilization for the specialized glass and also the revenue on account of specialized glass as well?
- Sandeep Sikka:** If you see the drop, when you say that the drop is there because the furnace utilization during the entire quarter was not full. But if you see on a weighted average basis on overall stuff, we are still operating ranging between 95% to 100% capacity utilization.
- Pritesh Chheda:** Okay. So this 90% you're calculating on the expansion
- Sandeep Sikka:** Yes, because furnace was shut down for a relining. During that period, the capacity of the furnace which was shut down its effective capacity utilization during the quarter was only 30%. So it pulled down the numbers.
- Pritesh Chheda:** Okay. Understood, sir. Can you give some outlook on the either the capacity utilization that you expect in FY '24 on expanded capacity or a volume growth outlook either or whichever you are comfortable with?

- Rajesh Khosla:** The expected capacity utilization will be the same range whatever we have been doing in the earlier year, which is anywhere close to 97% to 99%. So we do not see any unforeseen, or we don't see any negative impact on the market.
- Pritesh Chheda:** Which means you will have a volume growth of about 10% for FY '24? Is it the correct assessment?
- Rajesh Khosla:** Mathematically, we can calculate that part. But from the operations side, I can always say that, capacity utilization will be close to whatever we have been doing in the earlier year.
- Pritesh Chheda:** Okay. Lastly, sir, before that, just one more question. The beer bottle and the soft drink bottle, what is the portion of your container glass business?
- Rajesh Khosla:** We do not disclose segment-wise revenue or segment-wise share of this. So we keep the confidentiality on these matters. But I can say t, because since you have asked the question, and I'm answering for the sake of answering. The beer quantity is quite large as compared to our capacity. And soft drink is small because soft drink market is not a very big market, it's a growing market. It's a new market, which has come out of sleep after a long, long time.
- Pritesh Chheda:** So seasonality-wise, will quarter 1 and quarter 4 will be a bigger revenue, or you will have a similar capacity utilization all through the year? Or there's no seasonality?
- Rajesh Khosla:** Thank to our customers or I can say consumers. Earlier, they used to drink beer only in some hot and summer season. Now throughout the year, there is a party. So thanks to the Indian economy, which is doing quite well in this all 365 days. So that has really impacted us to remove the seasonality in the beer market also.
- Pritesh Chheda:** So we'll have an equal capacity utilization throughout the year, right?
- Rajesh Khosla:** Close to. I'm not saying 100%. I'm not saying a flat curve, but very close to.
- Pritesh Chheda:** Yes, quite close to 10%, 5% variation here and there is okay
- Rajesh Khosla:** See, you are asking a question of the future.
- Pritesh Chheda:** Not future. I'm saying in history, have you seen that
- Rajesh Khosla:** The H2 consumption, whatever H2 consumption is going on. It is as per our thinking. There is not much of the fluctuation we are able to see now.
- Pritesh Chheda:** And last question, the information sent to the exchange, that transaction is now been culminating. Would you now like to share some details on this acquisition from the NCLT?
- Sandeep Sikka:** No. Still, the transaction is pending with the adjudicating authorities. We are restricted under the confidentiality not to talk about it.
- Pritesh Chheda:** Okay. And last quarter, in Q4, in your comment, you had mentioned that you will grow 15% to 20% in top line in FY '24. Does that hold true? Or there are any changes there?

- Sandeep Sikka:** No, we are still holding on the same. For the growth of the first quarter, please visit the notes, which we have spoken about the capacity shutdown, and we have disclosed the quantity also. So you can calculate the impact.
- Pritesh Chheda:** And any one-off cost in the P&L because of the capacity realignment shutdown, any cost which has come in the P&L, which will not come next?
- Sandeep Sikka:** EBITDA margins are consistent. There are no one-off costs.
- Pritesh Chheda:** Okay. And any reason why you guys in the Q4 said 22% margin is the margin in the business?
- Sandeep Sikka:** You can't predict. So if you ask me a question, what will be the EBITDA margin on September, it's too difficult to answer now
- Pritesh Chheda:** No, not September, sir, for full year number for FY '24?
- Sandeep Sikka:** That's the broad guidance given under the circumstances at that particular time. And everything changes. Now let's say, if I ask, what will be the Sensex two years down the line, nobody can predict that. Everybody will try to estimate on the basis of the current market environment.
- So when we give guidance we always put a disclaimer with that guidance, that don't measure on a quarter-to-quarter basis. We are running our strategy successfully and achieving our goals.
- Pritesh Chheda:** Thank you, very much sir.
- Moderator:** Thank you. Next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.
- Sanjay Shah:** Sir, can you highlight upon any new value-added products where we have been focusing to improve our business and margin and even new verticals? Is there any development on that side?
- Sandeep Sikka:** So Rajesh, I think we can talk about 154-tons furnace if you can take it.
- Rajesh Khosla:** I can divide my answer in two parts. One is, we have developed and added a new segment. And second is with the existing one, we are doing further value addition to create some more value-added products.
- So in the first case, certainly, we have already started our 154 tonnes furnace, which is into high end cosmetic perfumery and high-end liquor, so which itself is a very high-end segment, and it is going to give a result and it is giving a result. So coming back to the second part, within the normal framework, are we doing anything more to create a value? Yes, we are doing it. There are so many micro segments we are trying to create.
- We are working closely with our existing customers, with our existing segments, where we are trying to create some creative product designs. We are trying to work out with the micro segments. we have a creative design department also, who is working on the new designs.
- And now we have the design center and as well as decoration unit full setup. So even the normal bottles can now be decorated. We are also developing a lot of coloured bottles for the various

high-end segments, which are the global players. So those are giving the results on that. These are all some value addition, which are happening within the commercial glass, which we have been serving the market earlier.

Sanjay Shah: Okay. Sir, in the specialized glass and commercial glass, what addition we can see on realization side, will it be possible to share because we have been doing around ₹37,000-₹38,000 per tons. So what inclusive

Rajesh Khosla: You can say almost it is 1.7x, 1.8x higher than the normal glass.

Sanjay Shah: That's really helpful. And so I don't have any question, but one suggestion, we need some good presentation from you. This presentation doesn't cover much of the things. And many of the questions have to be asked by all analysts, which could have been avoided if you could have mentioned the shutdown and what loss of revenue or that would have really helpful to us

Sandeep Sikka: Point noted.

Rajesh Khosla: We are committed to give the best of the results to all our stakeholders. A, we try to maintain those confidentialities, which are important to bring the results and not open the details up to our competitors

Sanjay Shah: Thank you and good luck to you

Moderator: The next question is from the line of Abhishek Maheshwari from Skyridge Wealth.

Abhishek Maheshwari: A couple of questions. Sir, we are noticing that the realizations have remained more or less stable compared to previous quarters despite the falling costs. So could you talk about supply chain? What is the current year supply chain situation like the cost of soda ash, sand, and furnace oil? And how are they impacting the realizations on final products?

Rajesh Khosla: Okay. Realization and costs are inter-related and as I told in my earlier answer, 50% to 60% of our prices for our customers, are attached with us on formula-based pricing. So it means any cost goes up or cost goes down accordingly, it impacts the realization.

So now the whole trend is towards the lowering of the cost side. So it is certainly going to impact on the realization part. I'm not saying it is linearly proportional, but it is somehow related in a complex curve. Prices of soda ash has come down and are further coming down. It again depends upon the global demand and supply. The global demand and supply today is relating that soda ash prices are weakening.

Some plants will close down, and again, the prices can firm up. So again, there cannot be a very straightforward answer. But yes, as on today, the prices have weakened, and accordingly, the cost has come down. And accordingly, the prices have been adjusted.

Abhishek Maheshwari: Noted, sir. And sir, secondly, a broader level question. Say, if you would like to take up an expansion program once again in your company in the future, do you have enough land in your current facilities to accommodate that expansion? Or will we need to set up a new greenfield?

Rajesh Khosla: As you know that our acquisition of HNG is under consideration and the matter is in the court. So probably once that is settled, there will be a huge jump in the capacity part. And that is one part. And secondly, even after that, whenever we want to expand, so we will have a lot of land bank with us.

And even if it is not there, it is not restricted to that level, so we can always buy the land, so it is not a problem for us. Because glass being a voluminous item, it is not important that wherever you have a land, you have to expand accordingly. We have to be close to our customers because that is how the freight and the sustainability efforts can be maintained. So land is not important in the business of glass.

Abhishek Maheshwari: Noted, sir. Sir, lastly, I know you cannot share any intimate details regarding the HNG deal. But any probability of getting the approval or timeline, anything that you can share on that front?

Sandeep Sikka: Most of these processes are run under the various legal authorities like NCLT, and NCLAT. In the month of July, we had a continuous hearing in NCLAT on one of the matters. We are hopeful, subject to how fast the dispensation happens. We are very fairly hopeful that in Q3, I think this transaction should be able to complete. But this is, again, contingent that there is no more litigation by the existing subset of stakeholders in HNG. And this is purely based on that. But we are very hopeful, and we are ready actually to take it on as soon as the approval comes in.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Sir, some of my questions have been already answered. Sir, I just wanted to ask about our margins. So our current set of margins would be sustainable or due to changing cost, maybe we have a lag effect and somewhere the margins could come down? That's my first question, sir.

Sandeep Sikka: So Rajesh, you can take.

Rajesh Khosla: Yes. As I informed in my earlier answers, we are having a formula-based pricing system with our customers. When the cost goes up, the realization goes up and the cost goes down, realization goes down. It clearly means that we should be able to protect our margins to a reasonable level with this type of formula, and that is the purpose of formula.

So I hope so that with the commodity prices of the input or supply chain prices, if they go up and go down, they should not impact our absolute margin in any of the cases. They should not. But rest all depends upon the total demand and supply and the market situation, which exists globally.

Darshil Jhaveri: Okay sir and if I understood correctly, sir, we had 154 ton increase in the start of the calendar year and another 100 tons right now. So combine these two will drive revenue further than maybe 15%, are we being a bit more conservative in that sense? Or is it that realization may bring a bit of drag on the top line? That's the only question.

Sandeep Sikka: I think the way I understood it, you're saying that where is the future growth going to come from. The future growth is going to come from many factors. One is 154-ton furnace, which is under the process of full loading. It is not yet fully loaded because it's based on the high-end customer acquisition. We have additional capacity, as I told initially, that will be loaded.

Then we are working on various number of initiatives that how we can further debottleneck the existing capacities, not only that, we are working on improving the product mix so that we can move up on the value chain. These are the various initiatives basis which we form an opinion that will continue to grow somewhere around 15%, 18% range.

- Moderator:** The next question is from the line of Yash Dantewadia from Dante Equity Research.
- Yash Dantewadia:** Congratulations on a good set of numbers. My question is regarding your high-end specialty glass. Last quarter, it was at a capacity utilization of 65%, 70% in Q4. Can you share what is the capacity utilization for this quarter?
- Sandeep Sikka:** It's almost in the same range right now
- Yash Dantewadia:** And how do you see this scaling up in the next financial year?
- Sandeep Sikka:** So Rajesh, I think I request you to take this that how the capacity utilization
- Rajesh Khosla:** A high end speciality glass is not a commodity at all, the material is made exclusively for the customer, and they work on a project with us on that. In that case, there is a process where the customer will come, they will audit the plant, they will see the samples and there will be some trial runs and then the final order will come. So all these have a time lag, and then you manufacture the special moulds. And then again, they will see one or two commercial runs and then the things will fall on stream. So right now, we are on stream. Right now, everything is intact. Everything is going very smooth.
- Everything is in line with our strategy. But yes, the exact numbers or the appreciable numbers, they will start coming in the next few months because it takes time to invite the customers and then from them to shift from A to B and to us.
- Yash Dantewadia:** On your best estimate with the demand coming in. Where would you guess the utilization can head to in 1 year?
- Rajesh Khosla:** I think so. I think so now only 3 quarters are left. So certainly, we are going to see the peak soon within this financial year.
- Yash Dantewadia:** And your high-end specialty glass, what is the percentage of the volume compared to your whole glass manufacturing business? What's the percentage?
- Rajesh Khosla:** I think the volume is quite known in the public domain. So it is close to 154 ton plus/minus 10% because sometimes the capacity runs a little higher also. u. It is 1,600 tons, plus 154. So out of 1,754, it is 154 tons.
- Yash Dantewadia:** Okay. Also, you just said that you pass on the cost benefit also and then the raw material pricing goes down, you pass on that benefit to your clients as well. I think silica prices, if I'm not mistaken, silica and soda ash prices have come down constantly in the last 2, 3 quarters.
- Rajesh Khosla:** I don't think so. The price of silica sand has not come down. At least, it has not come to our notice at all. And in case of silica sand, there are three parts of the silica sand costing part. One

is the cost of material, which is a little bit commoditized. Second is the processing cost and third is the transportation cost. So these are the three type of costs, which adds up to make a silica sand pricing system. And the commoditized costs might have come down a bit here and there. But that area is too small to get an impact

- Yash Dantewadia:** So what percentage of your entire cost component comes from soda ash and silica?
- Rajesh Khosla:** I think I would like to reserve my answer to this questions because then it will be revealing my costing details, which I don't think so it will be right on my part.
- Moderator:** The next question is from the line of Sreesankar Radhakrishnan from InCred Capital.
- S Radhakrishnan:** My quick question. Some of the questions got answered earlier. What is our outstanding borrowing today?
- Sandeep Sikka:** Outstanding borrowings the figure we have already told, it is a figure of ₹566 crores.
- S Radhakrishnan:** Okay and you mentioned about the HNG would we like to come in because it is still under the case. So a quick question though still HNG run by whom? By the old management?
- Sandeep Sikka:** National Company Law Tribunal Kolkata has appointed a resolution professional. And the company is being run by the resolution professional along with their respective advisors, which the committee of creditors have appointed. They run the company.
- S Radhakrishnan:** They run it, okay. You did mention about when you expected all this thing to a resolution to happen or a solution to be found. So it's not quite clear to me. Did you mention that you are expecting to be sorted out in the next couple of months?
- Sandeep Sikka:** Your voice is not clear, but I will answer basis as far as I could understand your question. What I have stated was based on the outcome of NCLT and NCLAT, and no further litigations are done by the stakeholders of HNG on the process, we feel that the transaction should get culminated in Q3.
- S Radhakrishnan:** Q3, Thank you.
- Moderator:** The next question is from the line of Pramod Dangi from Unifi Investment.
- Pramod Dangi:** Congratulations for a good set of numbers. You just said that there is an impact of 25,000 metric tons because of the realignment. So you were talking about the sales volume or you're talking the production volume that impact was on and was it a year-on-year impact, or was it compared to the last quarter number?
- Sandeep Sikka:** This is an impact on the sales. If you see our sales growth is 7%. So had we sold 25,000 tons more, the sales would have enhanced and also the EBITDA would have increased. This is letting to the quantum of sales, which you lose when you shut down the furnace for a period of relining. and this relining happens after a period of 9 to 10 years, which keeps the furnace life extended and it keeps the overall cost also in the control.

- Pramod Dangi:** Okay. Secondly, just one more follow-up question on what you said earlier. You said that because of the formula pricing, the absolute margin, which I believe that not the percentage term, but in the EBITDA per ton will be more or less stable because of the formula based pricing. Is that understanding right?
- Rajesh Khosla:** See the reason of formula pricing in any commodity in any of the business is to protect the margin and to pass on the fluctuation on the raw material side or the input side to each other. So this is the basic formula or the basic fundamental on the formula-based pricing. And we are also following the same.
- Moderator:** Thank you. The next question is from the line of H C Daga from Daga Associate.
- H C Daga:** This time that you have in your presentation that you have changed the income tax base, you have adopted the new lower rate under 115BAA. But I was going through and then the impact of this change in Q1 FY '24 was ₹21.83 crores compared to Q1 '23 ₹10.67 crores, which means that our tax liability, including the deferred tax and the re-measure tax, it has gone up by the ₹11 crores. Is it correct?
- Sandeep Sikka:** Your question is clear, I'll answer like this till 31st March 2022, our effective tax rate was around 35%. Government has given options to corporates to come for the lower tax rate, but we have to give away certain deductions. From 1st April 2022, we opted for a lower taxation rate, which makes the effective taxation rate to around 25% now.
- But historically because since we do a lot of investment into capital assets, the deferred tax liability was being calculated at the tax rate of 35% till 31st March '22. And when we shifted to a newer tax rate, which is a lower tax rate, there was a reversal of deferred tax liability, which means the deferred tax liability, which got accumulated over the years, it was reversed in Q1 of financial year 2022-23.
- So if you see the results of quarter 1 of last financial year, our PBT was ₹55 crores and PAT was ₹66 crores. PAT was higher than PBT because of the reversal of deferred tax liability. This is despite the fact that we paid around ₹14 crores as current taxes also. Ideally, if you want to see an apple-to-apple comparison, on ₹55 crores last year, PBT, you marked 25% tax which would result in a PAT of around ₹41 crores for an apple-to-apple comparison. Against that ₹41 crores of profit after tax last year, we have now ₹63 crores as profit after tax.
- H C Daga:** Okay. So now going forward, that our tax liability under the new regime would be the 25%?
- Sandeep Sikka:** Yes. You have to see an apple-to-apple comparison. I'll reiterate again for the entire set of people. So Q1 results of FY2022-23, on the PBT of ₹55 crores, you calculate 25% tax, which should lead to a PAT of ₹41 crores with 25% tax rate. And as compared to the current quarter, which is ₹63 crores, which is almost 50% higher.
- Moderator:** Thank you. The next question is from the line of Karan Sanwal from Niveshaay.
- Karan Sanwal:** I just wanted to confirm the debt liability that you talked about ₹566 crores. Was it at a net loan or gross debt?

- Sandeep Sikka:** This is net debt.
- Karan Sanwal:** And what would be the gross debt?
- Sandeep Sikka:** The rest are fixed deposits. We have a fixed deposit of ₹214 crores odd. So if you want to work on a gross debt add ₹214 crores to that.
- Karan Sanwal:** Okay. And just want to confirm that have you started the furnace that was shut down for the relining, the operations have been started, right?
- Sandeep Sikka:** Yes, it has started.
- Karan Sanwal:** And the capacity utilization, we talked about the specialty glass division was 65% to 70%.
- Sandeep Sikka:** Yes.
- Karan Sanwal:** And I wanted to ask the capitalization for each segment. So the specialty glass we have mentioned, it is around 65% to 70%. So what about the others
- Sandeep Sikka:** Others, we have already stated that if you net off the furnace, which was shutdown, we are already operating at 95% to 97% capacity utilization. The shutdown furnace for the quarter doesn't make that relevant, but we utilize to an extent of 30% and we see the overall quarter.
- Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for their closing remarks. Over to you all.
- Sandeep Sikka:** Thank you, everybody, for joining us on the call today. I think a good set of questions and a good set of suggestions also which has come through. We'll try to incorporate as much as possible. Our idea is to be more communicative. But within the guidelines of confidential, I know market is expecting some answers on our acquisition, but our real apologies, being bound by confidential, it is difficult to answer those questions. But happy to take any questions at any time. Thank you very much.
- Moderator:** Thank you. On behalf of Dolat Capital, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.

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