



“AGI Greenpac Limited Q3 FY-24 Earnings  
Conference Call”

**February 07, 2024**



**Dolat Capital**



**MANAGEMENT:** **MR. RAJESH KHOSLA – PRESIDENT AND 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.**



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**Moderator:** Ladies and gentlemen, good day and welcome to Q3 FY24 Earnings Conference Call of AGI Greenpac Limited 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 the operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

**Sachin Bobade:** Thank you Muskan. On behalf of Dolat Capital, I welcome you all to the Q3 FY24 Conference Call of AGI Greenpac. Hope you all and your family members are staying safe and healthy.

On 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 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 Q3 FY 2024 Earnings Call.

We have already circulated our Earnings Presentation which is available on our website and the stock exchange’s website.

I am happy to report a robust quarter marked by growth in Revenue from Operations, with a 10% increase to ₹622 crore. Our EBITDA experienced a substantial upswing of 36%, reaching ₹153 crore, showcasing the success of our strategic focus on operational efficiencies and a superior product mix. The EBITDA margin improved, standing at around 25%, compared to around 20% in the Q3 FY23, indicating enhanced operational performance. Additionally, our earnings per share witnessed a positive upswing, rising to ₹10.37 in Q3 FY24 as compared to ₹8.23 in the Q3 FY23.

As we look at the 9 months FY24 results, there is robust growth trajectory. Revenue from Operations stands at ₹1796 crore, reflecting a 12% YoY growth, and our EBITDA for the same period reached ₹432 crore, showcasing a substantial 48% YoY growth.

Our net debt stood ₹585 crore as on 31<sup>st</sup> December, 2023.

We are committed to sustaining financial discipline, internal efficiencies, and our dedication to sustainable business practices.



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Now, I would hand over the call to Mr. Khosla to discuss some of the key business highlights.

**Rajesh Khosla:** Thank you, Mr. Pandey. Good evening everyone and thank you for joining us.

I would like to highlight the few points that underscore our ongoing success:

In this quarter, our utilization of the glass container capacity exceeded more than 95%, showing our commitment to operational excellence and the optimization of our production capabilities. In recognition of our commitment to excellence, the world's #1 player or I can say one of the number one player in the world has honored AGI Greenpac with the "Prestigious Supplier Award", "Award of the Year" for the second consecutive year. This accolade stands as a testament to the quality and reliability of our products. And we take great pride in being recognized by them. As we move forward, our focus remains on innovation, sustainability, strategic expansion, high margin product categories to consistently deliver value to our stakeholders. We are also committed to the digitalization of all the processes, including our operations, and I would also like to express gratitude to our dedicated team and esteemed partners for their unwavering support.

Now, we would like to open the call for any questions you may have. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

**Pritesh Chheda:** Sir, is there any rise in capacity or volumes between quarter two and quarter three of this year?

**Rajesh Khosla:** There is no such increase in capacity, the capacity is same, the only thing is that the operational efficiencies have gone up and that is what it has given the more volumes or the more saleable volumes.

**Pritesh Chheda:** Okay. So, we are at about 1,850 tonnes per day capacity after the expansion and the capacity utilization is excess of 95% for both these quarters right?

**Rajesh Khosla:** Yes.

**Pritesh Chheda:** Okay. So, from here on for your growth, what kind of capacities are expected to come or can you deliver any growth on these capacities?

**Rajesh Khosla:** See, as such we are not adding immediate capacities, but we are debottlenecking a lot of capacities and last time also when we rebuilt the furnace, so we had increased our capacity by 100 tonnes. Now, in this year, when furnace number three is going to be rebuilt. We have a plan to increase the capacity by double two digits or close to three digits. These debottlenecks are going to add more value, more tonnages, more saleable and better results.



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- Pritesh Chheda:** Okay. So, in the last debottleneck you added about 100 tonnes, right?
- Rajesh Khosla:** Yes.
- Pritesh Chheda:** Okay. And now you are going to do another debottleneck, when is this lined up?
- Rajesh Khosla:** This everything will complete by the end of second quarter of next financial year, as per plan the things may change depending upon so many more factors, but as per plan, it has to be end of the second quarter of next financial year.
- Pritesh Chheda:** Okay. And lastly, any progress on the HNG side?
- Rajesh Khosla:** Sandeep you can answer on this matter please.
- Sandeep Sikka:** The matter is with Supreme Court and we feel that hearings should start very soon. Our next hearing is on coming Friday. But the courts take time to dispose these cases. I am glad we won the cases and now it is pending with Supreme Court. Once the Supreme Court is done then we can move very fast because we are ready to implement, we will require time and patience to have an order.
- Pritesh Chheda:** Sir just one follow up on this capacity expansion at our end. So, you can only do these debottleneck lead capacity addition or post eventually after this you have to actually go for the green field?
- Rajesh Khosla:** I would like to answer you like this, as far as aspirations are concerned, they are certainly very high but looking to the practicality of the business. Debottleneck is the best thing which can happen in this situation. Because the HNG, you know very well we are committed to whatever we have taken a stand of bidding and we are in the mid of something. We have to keep a balance on that. Putting our hand in so many things will be difficult for any management including ours.
- Moderator:** Thank you. The next question is from the line of Chandresh Malpani from Niveshaay Investment Advisors. Please go ahead.
- Chandresh Malpani:** So, sir what we understand is that, in Q3 the realizations dropped but the volume didn't so how is the current situation panning out?
- Rajesh Khosla:** As you know, glass is a semi commoditized product. When I say semi commoditized product, it doesn't follow the rules and regulations of a commodity. But still it is semi commoditized because it has to be customized as per the customer requirements. It is highly influenced by the input prices and other demand-supply gaps. The increase or decrease in the price is quite linked, not 100% linked but quite linked with the raw material and other input prices. When they get a little softer, it's certainly going, the price has to be adjusted accordingly, that is the reason for



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the price and we have been also telling in the earlier investors calls that we have the price variation formula with the customer and any increase or decrease in the cost is automatically adjusted with our customers. The price is not a very important part, more important part is how to protect your margins and keep the things healthy growing.

**Chandresh Malpani:** Okay, got it sir. And secondly on this specialty container, 154 tonnes per day capacity. Sir it has been one year now since we have been operating at 65%, 70% capacity utilization levels, what challenges are we facing there to ramp up that capacity?

**Rajesh Khosla:** More the product is complicated, more challenging is the learning curve. We are in a very normal process of a learning curve of the specialty glass. And every day we are moving upwards on that learning curve. It's a very normal thing, it's nothing special or standout thing, it's a very normal thing.

**Chandresh Malpani:** So, by when can we expect to reach that 90%, 95% kind of utilization levels?

**Rajesh Khosla:** It will take at least in next financial year, by the end of next financial year we hope so to hit that number.

**Chandresh Malpani:** Okay. So, what is your target market, is it export?

**Rajesh Khosla:** It's not only export, export also is there, and the company and the management is trying very hard to enter into the export market. There is a defined way of entering into the export market. First, we have to cater the domestic market, understand the domestic market, see the challenges, see the products and all then you have to enter into nearby markets, where the acceptability of any mistake or anything can be adjusted and then you go to the Western market. On this curve we are already moving one-by-one and now we have already planned to enter into the western part of the world market.

**Moderator:** Thank you. The next question is from the line of Pramod Dangi from Unifi investment. Please go ahead.

**Pramod Dangi:** If you can give two numbers, one is if you can share how our trend realisation is going, I believe our realizations peak sometime in March or a quarter or two quarter back. So, how realization is going in the glasses and if you can give the volume data for the glass on the sales side, sales volume?

**Rajesh Khosla:** Okay, realization as you say they have peaked some time a few months back, again realization is directly proportional to the input prices whatever is happening, whatever is the input price blooming, so accordingly the price of the glass got adjusted. It happens like that in COVID time, after COVID time when there was a supply chain constraint was there because of the natural gas prices, fuel prices and soda ash prices, the prices got inflated and now they are coming back to



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the normal. It may happen that tomorrow if there is a war and anything happens accordingly the situation can happen in the same way. My request is, this adjustment of the prices is not an indicator of any of the things except the numbers and they are to be adjusted up and down as per the requirement. And as far as volumes are concerned. Mr. Sikka, you can pitch in because volumes we are not giving in our results and we don't disclose as I understand.

**Pramod Dangi:** Okay, because earlier I think till December FY22 we were giving some kind of a volume, last two, three quarters during the volume number the production or the sales growth. But earlier quarter we have it, we have that in the conference call. But nevertheless, just coming on the pricing side also, I understood what you are saying, the input cost is going up obviously our realizations will go down. But our EBITDA margin, see our concern is more on the EBITDA margin. Because we see the spike on this EBITDA margin also in the March quarter, June quarter compared to what it was in the FY22. So, if you can throw some light or some focus on how the EBITDA margin, we should look at going forward, EBITDA per tonne I'm talking about.

**Rajesh Khosla:** Yes, in the commodity type of business, demand supply plays important role, but more focus is on the cost part, and that is what we have been doing it. Our company's focus is more on the cost part, how to keep in control and lower down and become the lowest cost producer in the world. That is the focus we have been doing it. We are debottlenecking our capacities, with these debottlenecking we are reducing our cost, we are entering into the new technologies, we are using digitalization technologies, and we are doing the industry for things so that our cost can be controlled and new practices can be attained. And this is what is giving us the edge on our results and everything which is visible to you sir.

**Moderator:** Thank you. The next question is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.

**V.P. Rajesh:** Just a couple of questions. So, can you share the EBITDA per tonne for this quarter versus what it was year-on-year?

**Sandeep Sikka:** EBITDA per tonne these nine months have been ranging somewhere around 9,500 to 10,000 per tonne depending on quarter-to-quarter because of the raw material price adjustments. This I'm talking of the container glass, but for the high end glass, we have to yet fully load the furnaces. We would not like to state the EBITDA per tonne right now because it is more strategic information, but I can give you the guidance on behalf of the container glass.

**V.P. Rajesh:** What was this number last year apples-to-apples?

**Sandeep Sikka:** Apple-to-apple would have grown somewhere where you see nine months of previous year and nine months of this year the EBITDA per tonne growth has been ranging 30%.



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**V.P. Rajesh:** Okay. And what is the lag in the time period that you incur the cost and you are able to recover from your customer, is it in the same quarter or is it on a monthly basis if you can just explain that a bit?

**Rajesh Khosla:** As I told you, there are two sets of customers we have, one is we have the formula understanding and the second, it has to be adjusted as per the market forces. There are some particular ratios are there which can be 60:40 or 70:30 or something like that, 70 are the formula-based customer and 30 are the market base customers. Normally the formula base customers we have different timelines with them. In some cases, we adjust yearly, some cases we adjust half yearly, some cases we adjust quarterly also. There are different customers with different ones as far as the market is concerned. That again depends upon the demand supply situation. Sometimes what happens is when the demand is good, even the adjustment can happen within a month also, when the demand is not good. The adjustment happens maybe in six months or something like that. It is too difficult to pinpoint exactly but yes, there are mechanisms by which any cost escalation or cost decrease is to be adjusted with the market depending upon many factors.

**V.P. Rajesh:** Right. So, is it fair to say that it will take you at least, let's say four to six months before you are able to completely pass on the cost to the customers?

**Rajesh Khosla:** It's just anybody's guess. I don't say your number is absolutely right, but maybe you are a little close to here and there.

**V.P. Rajesh:** Okay, thank you. And then the last question on the HNG process, not process but how do you plan to finance it assuming you win in the Supreme Court. How do you plan to finance it and if you can give a little more color on that side.

**Sandeep Sikka:** It will primarily be a debt, but I can't disclose the numbers there, because of the confidentiality.

**Moderator:** Thank you. The next question is from the line of Viraj Mahadevia from Moneygrow India. Please go ahead.

**Viraj Mahadevia:** In the absence of the HNG acquisition, I just want to know the volume growth number for next year, volume based on debottlenecking and or price increases, so a revenue growth number in the absence of HNG?

**Sandeep Sikka:** Overall, we should be able to achieve around 6% to 8% volume growth. And this I am talking about a run rate basis, not an absolute basis, because Mr. Khosla has already spoken about additional volume build up, capacity buildup due to the debottleneck in the existing system. We have 154 tonne furnace which is a new, high-end furnace which is under loading process. The overall volume availability can be in a range of around 6% to 10%.



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- Viraj Mahadevia:** Understood. And again, in the absence of the HNG acquisition for a second, given your debt is now 500 odd crores, are you likely to be completely debt free within the next six months?
- Sandeep Sikka:** In a way you are asking an EBITDA from me, it's very difficult to comment, you have to build your own model based on the current profile.
- Viraj Mahadevia:** The goal is to deleverage apart from your HNG?
- Sandeep Sikka:** There is no other opportunity in company right now, we are investing money in terms of operation of capacities, we are investing money in terms of creating efficient business models. As most of the money goes into the reduction of debt. Whatever EBITDA we are generating, either for the future investments or it goes towards the reduction of debts.
- Moderator:** Thank you. The next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.
- Nikhil Gada:** Sir the first question is, we are seeing some increase in the fuel cost in terms of the gas cost as well. Will that in any ways impact on our margins in the coming quarters, how do we see the power and fuel cost going for us in the coming quarters?
- Sandeep Sikka:** Rajesh has already spoken extensively on this in the last one or two questions. If there is an increase, there is a lead lag time on which again a question was there, very difficult to comment on lead lag time, but it's more of once it is there and once it is established that some price adjustment is to be done then the discussion starts with our customers. If there is a price increase for definitely one or two quarters, the impact may come to negative impact, but ultimately it gets recouped also in the future. And similarly, when the price falls, a similar lead in a lag time is there in terms of price adjustment. Since it's not one customer, it's a varied set of a customers with varied set of SKUs and varied requirements. That's why, Rajesh made a comment, that it is very difficult to estimate the exact time. If a question comes to whether it happens in three months or two months, it's very difficult. It's an adjustment formula and if you see the moving averages, then you will see that it automatically gets adjusted.
- Rajesh Khosla:** I will add to what you are saying one more thing, the sensitivity towards the cost increase with the price has the two-edged sword. On the one side, if you are too sensitive, you are destabilizing the markets. If you are too stable, then probably you hit your other numbers. So, somewhere the mid approach has to be there where the sensitivity has to be adjusted in such a way so that the market doesn't hit us badly. And we don't hit our numbers badly and in between some way or the, it's a very analog type of structure. It's not a very zero-one structure like digital structure where I can say, at three months or two and a half months things can be adjusted. So, many factors taking into consideration, the price adjustments, or the cost transfer adjustments are being done.





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**Nikhil Gada:** Got it sir. So, my question basically pertains to the fact that we have seen a consistent improvement in our EBITDA per tonne metric, we went from 6,000 to 7,500, 8,000 and now we are close to 9,500. Definitely, a good part of it is also because of a lower power and fuel cost and also better utilization.

**Rajesh Khosla:** Okay, but the major part is this because of debottlenecking. Debottlenecking, not quantitatively but even qualitatively debottlenecking.

**Nikhil Gada:** Understood, sir. So, my question is that what kind of a range is it there a range-based working that we do or let's say somewhere down the line, if the margins go close to 7,000, we are okay to work at that, or we have to take an immediate action, just wanted your thought process on that?

**Rajesh Khosla:** Possibly, being a working executive, this is a part of a little confidential strategy, at what level what we have to do and to why, because this information is available to our competitors and our customers also. So, we will be like to be little selective in answering these things, which may impact us in a wrong way in our business. But yes, we do understand we have to deliver to our shareholders the best possible results. And on the other side, it is our commitment to see that our customers remain happy, stable, and associated with us for the long term. So, keeping two aims in mind so we work out the things.

**Nikhil Gada:** Understood sir. And sir my second question is just an extension to this, where we are seeing the gross margins at an absolute level, it is improving to 70% plus for last couple of quarters. Is it only because of lower raw material cost or is it also some benefit of product mix that we are seeing?

**Rajesh Khosla:** That's what I'm saying. When I say debottlenecking, debottlenecking qualitatively and quantitatively. Quantitatively means I add the quantity, qualitative means product mix.

**Nikhil Gada:** Got it. And sir just the last question on this. We have seen specifically when I looked at a segment data, the investment property EBIT numbers, consistently we were at close to 4 crores, they have gone down to 3 crores, is there any change in the entire lease terms with the other company that is impacting this?

**Sandeep Sikka:** There are some of quarters, you get some insurance expense or some expense. Quarters were consistent as such, not much changes, because most of them are already set for very long-term period.

**Moderator:** Thank you. The next question is from the line of Miraj from Arihant Capital. Please go ahead.



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- Miraj:** Sir, a few things, so firstly, I would like to understand what has been going on in the hearings, what discussions have been going on because there were a couple of hearings in December and January. So, just want to understand what is the status on the proceeding right now?
- Sandeep Sikka:** Our case was last heard on 16th of October at the Supreme Court now in the court of Chief Justice, and after that, there has been a number of listings which have happened, but we couldn't get the time for hearing. The hearing proceedings have not yet initiated, but the case does come up for listing again. We have a next listing on this coming Friday.
- Miraj:** Okay. So, the chance for hearing is there on Friday or is it just the listing day?
- Sandeep Sikka:** I can't comment on it. It's all under the purview of the courts and the Honorable Justice who are there. They are the best judges to make a judgment on what to be heard and when to be heard.
- Miraj:** Understood. So, just to reconfirm on the specialized line, you mentioned that the utilization is 60% to 65% currently, right?
- Sandeep Sikka:** 65% to 70%.
- Miraj:** Sir are there any, just wanted to understand how quickly can we ramp this up to 100%?
- Sandeep Sikka:** This has already answered just a few minutes back. It may take another 12 to 18 months in terms of fully loading the plants. And when I say fully loading it is generally 85%, 90% loading. And after that the game is different in terms of reaching +90% loading, you have to work very extensively on the technical side with the furnace and that gives the best efficiency. Right now we are looking at engaging with the customers, building their long-term requirements and also meeting their criteria in what all they look for both internationally and domestically.
- Miraj:** Understood. Are we in any plans to add more capacity on the specialized side right now, or will we still wait till we reach optimum utilization over here?
- Sandeep Sikka:** We are keeping it open, as such we will wait until we are fully loaded. This is a big opportunity, but we will unfold piece-by-piece, Nothing as such is approved by the Board right now for further expansion. As and when the Board takes a call while we keep evaluating various options.
- Miraj:** Understood and lastly, I missed the part of additional debottlenecking capacity that is coming in. So, did we put a trigger to it, what would be the debottleneck capacity?
- Rajesh Khosla:** It is close to around 100 tonnes, it may not be 100 tonnes but it can be anywhere between 80 to 85 tonnes per day.



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- Moderator:** Thank you. The next question is from the line of Niharika from Aequitas Investment. Please go ahead.
- Niharika:** So, my question is regarding the CAPEX. So, what amount have we targeted for FY25 and this is including the debottlenecking which you were just talking about?
- Sandeep Sikka:** Next year we should spend somewhere around 150 crores primarily on the relining and the expansion of a furnace and there would be some other CAPEXs, which are linked to further building up of the efficiencies. The overall CAPEX can be ranging around 125 to 150 crores. This is based on the today financial, if we take anything further because we have asked the plant team for capex for FY24-25. I am answering it today based on the approvals which we have on the Board.
- Niharika:** Okay, got it. And for this honestly, I believe will be shut for relining. So, tentatively, how many days would the shutdown be for?
- Rajesh Khosla:** 75 days.
- Niharika:** And this you are planning to take in quarter two of FY25?
- Rajesh Khosla:** Maybe quarter three.
- Niharika:** Okay. And, I think you had explained this, but just to get clarity that when we say that 30% of our sales would be formula based. So, I believe it's soda ash prices?
- Rajesh Khosla:** No, I am not saying, I will say 60% to 70% can be formula based.
- Niharika:** Okay. And the rest would be benchmark to what exact index as in?
- Rajesh Khosla:** Market conditions.
- Sandeep Sikka:** Balance 30%, 40% is linked to market negotiation and conditions that how much is the product demand supply. We negotiate on the spot and then we agree on the price. These are not large quantities contract but a small quantity contract.
- Niharika:** So, this 30%, 35% if it is pot, so ideally my realizations for the quarter would have been good, because my raw material prices were suppressed the soda ash, so is my understanding correct?
- Sandeep Sikka:** It is like this. But your next question I will not be able to answer, now you want me to decipher on the spot price, EBITDA per tonne and that we will not divulge
- Niharika:** I just want to clear my understanding that if it is 30% to 35% is spot and ideally realizations would have been good considering the soda ash prices are going down?



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- Rajesh Khosla:** No, let me answer you in this. When we say there is a formula-based pricing, so there is a mechanism of calculation and it can go up, but when we say it is non-formula based, that doesn't mean we are going to get a better price or a worse price. It depends purely on the demand supply scenario of the glass at that particular moment. In some moment, you can have a better price than the formula price, sometimes you can get a worse price than the formula price. It all depends upon the condition at that time. And then there is continuous qualitative debottlenecking also. So, we are entering into high end products. We are entering into value added products, premiumization products. So, all those things we are entering by debottlenecking our manufacturing capabilities. So, that can give us the edge over the others to cater some specialized products in that category. Then you are entering not only the type of the product, then you are also entering into the so many other areas like warehousing, delivery on time, so many more things are there which can give you the better realization or results for the bottom line.
- Niharika:** Okay. And my last question on the soda ash some insight on Red Sea on the supply coming up, because I believe Europe demand is going down. So, some insight that where do you feel the market is for soda ash?
- Rajesh Khosla:** See soda ash is produced globally, soda ash is imported, soda ash is local also. Soda ash is also coming from China and soda ash is also coming from Africa. So, Red Sea will get affected if the soda ash is coming from Turkey or Europe and maybe partly from this thing, if the soda ash is on the West Coast of America. So, it can come through the other channel, through the Japan side which will not affect the Red Sea area. So, again, it depends on where we are buying or which one is cheaper. So, right now, yes, because of the Red Sea, there is an issue, there is an impact also on the prices part. But then there are other countervailing factors, which are keeping the things intact. So, there is not a much impact on us as such and we are taking various type of what do you call solutions to keep the things going at a lowest cost.
- Niharika:** So, we have supplies in place even if there is?
- Rajesh Khosla:** Yes, no problem at all. We have enough supplies.
- Moderator:** Thank you. The next question is from the line of Siddhant from Trust Investment. Please go ahead.
- Siddhant:** So, my question was regarding the HNG plant, the current capacity is 4,000 tonnes. And suppose if we get that plant after all the approvals and all. So, what is that quantity capacity that we need to sell off for the CCI, is there any capacity that we need to sell before getting it on our books?
- Sandeep Sikka:** We have got the CCI approval, and there are some sets of conditions under the CCI approval. I would request that if you can visit the CCI website, because it's a very large order ranging around 70-80 pages. So, most of your questions will be answered there. We would not like to give a response from our side because many of the data which is relating to this acquisition are



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confidential in nature as for the offer document and we are constrained to not talk about the same. You can get the CCI order on the CCI website that will help you.

**Moderator:** Thank you. The next question is from the line of Pramod Dangi from Unifi Investment. Please go ahead.

**Pramod Dangi:** Just a bookkeeping question on the employee cost and the operating cost. If I look at the last calendar year 2022, our employee cost was in the range of around Rs.40 crore per quarter, which is for the last five quarters is now increased by Rs.50 crores a quarter. So, is it the new base or are we going to have some more adjustments as we go ahead in the base rate the employee cost?

**Sandeep Sikka:** If you think there are changes in the overall structure, initially there was a team for our container glass. From 1st January 2023, the 154-tonne high end furnace has come into the picture. The full benefits in terms of the sale are yet to be realized but selling a high-end furnace and a high-end product, and the low-end products require a different expertise. We have two sets of people who are distinct. As a result of which it is there, and due to the fact that there are natural increments when you work in an industry when you are performing good, this is a combination of a few factors..

**Pramod Dangi:** Now, for the last four quarters or the five quarters which is almost Rs.50 crores per quarter. So, if we go with the inflationary pressure to Rs.55 crores, 60 crores or to remain at 49 crores – 50 crores on the current capacity, just want to understand.

**Sandeep Sikka:** To micro the question to answer, it will be around 50 crores, because here we can only give a broad guidance.

**Pramod Dangi:** Broadly, same thing for operating cost also because you see that the operating cost went from Rs.100 crore to Rs.120, Rs.125 crores for the last two quarters?

**Sandeep Sikka:** I can answer your question in a way that there are some natural increases in the cost, which are inflation led. While creating your business model, you build those inflationary cost into it. Because it's very difficult for any organization to give an answer like, what will be the exact manpower cost next year, because it's depending on so many factors which are linked to business strategy and also business operations control.

**Moderator:** Thank you. The next question is from the line of Miraj from Arihant Capital. Please go ahead.

**Miraj:** Sir, I just had one more question regarding the acquisition. So, recently, we were reading the news that SBI is looking to sell part of its loan to an ARC. If that happens, will it anyway hamper the current proceedings or these acquisitions by NCLT. Would there be any change in that?



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- Sandeep Sikka:** What I can say is, this is public news, SBI is trying to sell their share in the target asset. We feel that there shouldn't be any change because COC has already voted us and our application is already pending before NCLT. But there can always be ifs and buts to anything. But giving a firm answer, you have to talk to a legal person in essence like what can be the ramifications, but internally we feel that this should not impact anything.
- Moderator:** Thank you. The next question is from the line of Niharika from Aequitas Investment. Please go ahead.
- Niharika:** Just a small clarification, I wanted that the furnace three which we are seeing that will be shut for realigning the capacity of this furnace is how much?
- Rajesh Khosla:** Right now the capacity is 275, operating at 250. So, it can be close to around 340.
- Moderator:** Thank you. The next question is from the line of Amnish Aggarwal from Prabhudas Lilladher Pvt Ltd. Please go ahead.
- Amnish Aggarwal:** So, in the last concall you had indicated that you were chosen under the NCLT to buy out the HNG facilities, but the same has been challenged in the courts. So, any update on the same and has that issue been resolved?
- Sandeep Sikka:** No, it is still pending before the Supreme Court, and honorable Supreme Court and honorable judges are yet to decide on it.
- Amnish Aggarwal:** Okay. So, any timeline or anything by when it could be decided?
- Sandeep Sikka:** No, very difficult to comment on the court proceeding timeline. It can happen next week, or it may take a longer time also.
- Amnish Aggarwal:** Okay. And the second question is that, for example, our margins have been improving steadily over the past few quarters on a structural basis. In a steady state, where do you think the margin should stabilize?
- Sandeep Sikka:** We have already given a guidance that, don't look at quarter-to-quarter at margin ranges because it's very difficult to justify anything on a quarter-to-quarter basis. But medium to long term we feel EBITDA margins ranging 21%-23% based on the current market conditions they are justifiable margins.
- Moderator:** Thank you. The next question is from the line of Chandresh Malpani from Niveshaay Investment. Please go ahead.



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**Chandresh Malpani:** Sir in your interview today you said that we have moderated the guidance from 15% to 18% to 12% to 13% for the current year, so how about the next year so, this is primarily depending on HNG's acquisition that we will be growing because of our debottlenecking is coming in Q3 FY25, and that will also result in some revenue loss. So, any comments on the growth side?

**Sandeep Sikka:** We have answered this question that HNG today has sufficient capacity, and it doesn't make any justification for anybody to build up additional capacities today, because, these are very costly, activities in terms of very capital intensive procedures. Although there has been a delay, which is there in terms of the acquisition of HNG but we are ready to acquire anytime once the court approves it. But it's very natural that whatever time it takes, you have to wait for it. We are moving in a strategic manner, we are not moving in an adhoc manner here. Adhoc manner would have been that we start setting up our own greenfield projects, while this is pending. We are moving on a strategic path and in a strategic path if there is a delay, you have to bear with that delay, because it's all linked to a long-term plan rather than a short term adhoc plans. In terms of short-term things, we are doing a number of things, Mr. Khosla has already spoken about it. The debottleneck take a higher throughput, all these strategies are also leading to, advent of many other byproduct, which will enhance our capacities and capacity utilizations.

**Moderator:** Thank you. As that was the last question, I would now like to hand the conference over to the management for closing comments.

**Sandeep Sikka:** I thank everybody who's been on the call today and asking questions. A few of the questions we may not have been able to answer and our apologies for the same because there are constraints in the various confidentiality, which are relating to the acquisition. But definitely, we feel that once we have court orders, and all the things in place, we are ready to move very, very fast in terms of acquiring the asset and taking control of it. Thank you very much. Thanks again.

**Moderator:** Thank you. On behalf of Dolat Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

**Notes:**

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