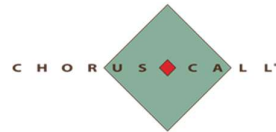




AGI Greenpac Limited  
Q4 FY24 Results Conference Call  
May 03, 2024



**MANAGEMENT:** **MR. RAJESH KHOSLA – 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. NITIN GUPTA – EMKAY GLOBAL**

**Moderator:** Ladies and gentlemen, welcome to Q4 FY24 Results Conference Call of AGI Greenpac Limited hosted by Emkay Global Financial Services. We have with us today, Mr. Rajesh Khosla, Chief Executive Officer; Mr. Om Prakash Pandey, Chief Financial Officer; and Mr. Sandeep Sikka, Group Chief Financial Officer.

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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Gupta from Emkay Global Financial Services. Thank you, and over to you, sir.

**Nitin Gupta:** Thank you, Manuja. Good evening, everyone. I would like to welcome the management and thank them for this opportunity. I shall now hand over the call to the management for the opening remarks. Over to you, gentlemen.

**Om Prakash Pandey:** Good evening, everyone and welcome to AGI Greenpac Q4 FY24 Earnings Call. We have already circulated our “Earnings Presentation” which is available on our website and on the Stock Exchange website. For the year ended March 2024, AGI Greenpac Limited registered Total Income of ₹2445 crore, an increase of 6% over ₹2307 recorded in FY23. The EBITDA registered a growth of 21%, reaching ₹588 crore from ₹488 crore in FY24 with margin at approximately 24% compared to around 21.1% in FY23. The Company's PAT stood at ₹256 crore, compared to ₹249 crore in FY23, as investments made towards a high-end specialty state-of-the-art plant and subsequent commencement of commercial production from January 2023 led to increased interest and depreciation expenses in FY24.

Our consistent success can be attributed to several key factors. Firstly, we've adeptly responded to the increasing demand for both alcoholic and non-alcoholic beverages. Secondly, substantial improvements in internal efficiencies have streamlined our operational effectiveness. Thirdly, our dedication to fostering customer loyalty has cemented our position in the market. In addition to it, our focus on high-value-added products and a premium mix has significantly bolstered our profitability.

In Q4 FY24, the Company reported Revenue from Operations of ₹625 crore, EBITDA of ₹156 crore, and Net Profit at ₹69 crore. There is a decline in financial performance, primarily due to lower average sales realization Y-o-Y basis on account of decrease in raw material prices. Additionally, please note that in Q4 FY23, we received other income of ₹15.65 crore on account of subsidy, which was reflected in Total Income, but this was not the case in Q4 FY24. As of 31st March 2024, our net debt stands at ₹226 crore.

Now, I would hand over the call to Mr. Khosla to discuss some of the “Key Business Highlights.” Over to Mr. Khosla.

**Rajesh Khosla:** Thank you, Mr. Pandey. Good evening, everyone, and thank you for joining us. In FY 2024, AGI Greenpac achieved many milestones demonstrating a relentless commitment to excellence across various fronts. Our glass container capacity utilization consistently exceeds 95%, showcasing a dedication to operational excellence and efficient production optimization.

The planned shutdown of one of our furnace relining in H1 for which we lost some tonnage of production. Additionally, we executed debottlenecking initiatives on existing capacities elevating our daily output from 1,600 metric tons to 1,700 metric tons. Substantial investment in digitalization and automation further enhances the operational efficiency positioning us for continued growth and innovation.

Additionally, we expanded our international presence significantly through participation in exhibition and trade fairs in key markets such as UAE, U.S.A., Europe, bolstering visibility and fostering valuable connection with the clients and partners. The accolades received underscores our unwavering pursuit of excellence with recognition including the Supplier of the Year Award from Diageo India for second consecutive year as well as the prestigious awards for workplace culture, CSR Impact, energy efficiency and cost management.

These achievements upon AGI Greenpac's position as a leader in the industry committed to delivery exceptional value to stakeholders while driving sustainable growth and impact. As we look ahead, our focus remains on innovation, sustainability and strategic expansion. We are dedicated to prioritizing high-margin products category to consistently deliver value to our stakeholders.

Our commitment to digitalization across all processes, including operations remain steadfast as we harness technology to enhance efficiency and productivity. We are well-positioned for continued growth and success in meeting the evolving demand of our industry.

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

**Moderator:** The first question is from the line of Sanjay Shah from KSA Securities Private Limited. Please go ahead.

**Sanjay Shah:** Thanks for nice presentation and congratulations on good set of numbers in this volatile world. Sir, we need some understanding regarding our growth trajectory ahead. Since we have done some bottlenecking and increase our capacity, sir, what utilization right now we are in and what are we planning to grow from here on for next 2, 3 years, sir?

**Rajesh Khosla:** Okay. I think one of the reasons of our growth trajectory in the last few years are debottlenecking. So, the economics of debottlenecking versus the economics of capacity addition is very different and we fully understand and we want to deliver the best value to the stakeholder. So debottlenecking economics is very important, and that is what we have done so far.

But now, there is a limit to which the plants can be debottlenecked. Otherwise, it becomes a counterproductive. So now I think with the additional furnace, what we are now debottlenecking and adding some 80 ton per day of the capacity now. I think more or less, now our focus will be to add capacities in the future organically and inorganically. And very soon, things will be opened up to the people to understand about that.

**Sanjay Shah:** Fine. Sir since we are doing 77% business to this alcohol industry, so we are focusing and penetrating on pharmaceutical side, food and beverage. So, what is the view of your management? And how is the demand panning out from these verticals?

**Rajesh Khosla:**

In fact, the good part is that the India is growing at a very good pace and all these segments are increasing, the pharmaceutical, liquor, beer, food, every segment is growing at some pace or the other. Now what is to be seen, there is a natural tendency of any of the organizations to ride on the waves of some demand increase. So, in this case, it is to be seen from the angle, which demand we should be catering so that we can best utilize our resources and assets. So as on date, I think we cater to diversified fields. We are catering to the food segment, pharmaceutical, liquor, beer and all other segments.

Yes, the combination in which we are, that is possible to change, but it all depends upon how the market requirement comes up. Yes, we have a focus in pharmaceutical, and we are doing a lot of debottlenecking and a lot of movements so that we can have a better share in the pharmaceutical segment.

**Sanjay Shah:**

Sir, my last question was regarding our HNG acquisition. I don't know how much you can share, but we are a bit in a dilemma because there are two things which we need to understand. One is the stage where we have reached? And when we think that we'll hear some good news or whatever may be?

And number two, since such a delay has happened, is that acquisition viable to us because of that machinery gets depreciated and so many things can happen. So, can you highlight, sir, upon that?

**Sandeep Sikka:**

Sanjayji, HNG is very strategic and very important acquisition from our side. It's a bit unfortunate that the time taken is a bit higher and it's taking some time. But all along, I think we have put the best foot forward in terms of the offer which we made. There were some litigations, which have been done in NCLAT and NCLT, and most of them have been in our favor.

Now the matter is subjudice before the Honourable Supreme Court. And I think courts are taking some time because there are other matters also in the queue. We are hopeful that in next 2 -3 months once this matter is cleared by the Supreme Court, the whole process should move very fast.

But from the question in terms of viability, the whole project is still very viable. It has definitely taken some time longer than what we had initially estimated in our plans. But from the results which you see from Hindusthan National Glass which is publicly available, I think asset is also doing good, and it's making EBITDA.

From an overall perspective, it makes a lot of strategic sense for us, and we are fully dedicated and fully inclined to complete this acquisition. But we are bound by the court processes, which I hope each one of you will understand, is not entirely in our control and court takes time which they have to take.

**Moderator:**

The next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.

**Nikhil Gada:**

Sir, just wanted the overall sales volume for FY24? And how were the realizations? As in, how was the fall in the realization in FY24 vis-à-vis FY23.

**Sandeep Sikka:** You see on a year-to-year basis for the glass container, we have done 5,24,000 tons of sales as compared to last year of 5,32,000 tons which is down by around 1.4%. And this is essentially due to the fact that we had one furnace shutdown during the first half of the financial year wherein we lost around 20,000 to 25,000 tons of materials. Just for the investors, I think we have made disclosures. Another furnace is up for relining which has come early than we anticipated and we are also debottlenecking that capacity.

To answer your question, volumes were broadly very flat, but had it been a normal year, we may have additional 20,000 to 25,000 tons of more volume to sell. In terms of realizations, when you see 12 months average realizations versus 12 months average realization of the financial year 2023-24, the container glass it's almost flat. In fact, although the volumes have come down by 1%, but sales has grown by 1%. So around ₹36,400 around the average realizations from the container glass business.

**Nikhil Gada:** Sir, if I got to volume numbers correctly, it was 5,24,000 in FY24.

**Sandeep Sikka:** Yes, broadly around that.

**Nikhil Gada:** Understood. Got it. And sir, just the realization part, what was the realization in fourth quarter?

**Sandeep Sikka:** The realization in fourth quarter has been somewhere around ₹36,000 only.

**Nikhil Gada:** Okay. So, we have not seen any major correction despite the decline in the soda ash price?

**Sandeep Sikka:** If you see the overall dynamics, we have been explaining this, that part of our orders, they get adjusted to the input raw material pricing. But there are orders around 40% of orders, which we do on spot basis. And these are essentially small quantities, wherein we can command a premium price and also on the product mix and other sides. It's a net impact of that as a result of which we are able to maintain the price.

**Nikhil Gada:** Okay. Sir, secondly, just trying to delve deeper in this other volume data. Can you also share the specialty glass volumes that you were able to do in FY24?

**Sandeep Sikka:** Specialty glass, we have done around 33,000 tons.

**Nikhil Gada:** And what would have been the revenue for this?

**Sandeep Sikka:** Average realization on this is somewhere around ₹63,500, you can multiply accordingly.

**Nikhil Gada:** Sure.

**Moderator:** The next question is from the line of Miraj from Arihant Capital.

**Miraj:** Just a couple of questions. Firstly, trying to understand that the current announcement that you made regarding one shutdown, one furnace being shut down for relining for maintenance. It's not the same one that we had earlier announced that you were going to do in Q3, right?

**Rajesh Khosla:** So, in the furnace, which we have announced that it will under shut down, what are you saying?

**Miraj:** So, in the previous call, we had mentioned that we are going to reline.

**Rajesh Khosla:** Yes, yes. It is the same furnace.

**Miraj:** So, we've preponed our relining. So, it will add 80 tons in this quarter itself, right? 80 tons per day.

**Rajesh Khosla:** Yes. Preponed because whenever we announced, were tentative dates and it depends on many factors. But the actual date of relining or shutdown depend upon the behaviour of the furnace which is not predictable right now with the present technologies available across the world.

So, we have to work out the outcome of the furnace and then accordingly decide when the furnace shutdown has to be taken. So, our technical experts have confirmed that we should take this shutdown immediately which means in the end of April and that is what we have done.

**Miraj:** Understood. And sir, secondly, I just wanted to understand in terms of input cost metrics to understand our cost composition, the soda ash constituents of what percentage of total input cost?

**Rajesh Khosla:** That will be a little bit detailing of the breakup, but I can say because it depends upon so many factors like what is the cullet ratio is and what are the other things, but if you're talking by volume or by value around 12% to 13% you can say by value.

**Miraj:** By value 12% to 13%?

**Rajesh Khosla:** By volume, we are saying by 12% to 13%.

**Miraj:** Okay. So, in volume terms would cullet be the largest one?

**Rajesh Khosla:** Say it again?

**Miraj:** In volume terms, if you're looking in volume terms the largest would be cullet?

**Rajesh Khosla:** Yes, we can say like that. Largest will be cullet or largest will be sand.

**Miraj:** Okay understood. And sir, so I just want to understand one thing that if the acquisition that we are planning if it doesn't go through, by any chances that doesn't take place, then what kind of changes do we see in our own strategy for growth? Because now we are only adding 80 tons. So as a backup plan, what would be our thought process? What kind of capacities are we planning to add? Because we are at our optimum utilization right now.

**Rajesh Khosla:** Acquisition not going through is beyond our imagination. So, I don't think so, there is any amount of chance we are able to anticipate as of today that acquisition may not be going through. It's a matter of time. And the court processes take their own time. But today, I don't think so we have any chance of even thinking that it is not going to go through. it is well on track, and everything will be there.

- Miraj:** Understood. And did we get the listing date yet because the date keeps coming. So, I think last time, Sandeep sir, had mentioned that once we get the listing date, post that it would be pretty fast moving the entire court process?
- Sandeep Sikka:** Matter is getting list, but it gets deferred. Our next date is on 13th May.
- Moderator:** The next question is from the line of Zaki Nasser from Nasser Investments. Please go ahead.
- Zaki Nasser:** Sir, congratulations on a healthy set of numbers. Sir, as we have added 80 tons per annum, right now, what would be our capacity? I guess, it would be around 1,800 ton or 1,850 tons, would that be correct, sir?
- Rajesh Khosla:** Sir, 80 tons per day, sir. That is one. And since we increased 100 ton earlier, so it will be a shade below 1,800 tons, sir, for the container commercial glass.
- Sandeep Sikka:** Yes, plus 154 tons.
- Zaki Nasser:** Plus 154. Okay. Sir, and has this specialty glass plant of 154 tons fully operational now?
- Rajesh Khosla:** Yes, sir. It is fully operational. It is well on track as per planning.
- Zaki Nasser:** And sir, what would be the realization on this specialized glass?
- Rajesh Khosla:** Close to ₹65,000 tons sir.
- Zaki Nasser:** And sir, considering everything and with the shutdown of past capacity for part of the year. Do you think, again, March 25 on AGI not considering the acquisition, would the value growth would be on something like what came between FY23 and FY24.
- Rajesh Khosla:** Whatever we have committed earlier, certainly, we are going to get those numbers, sir.
- Zaki Nasser:** That would be, sir, I mean, broadly?
- Sandeep Sikka:** We have projected somewhere around 10% growth; we should be able to continue with it on the existing businesses.
- Moderator:** The next question is from the line of Pinaki Banerjee from AUM Capital Private Limited. Please go ahead.
- Pinaki Banerjee:** In FY24, the main raw material that is soda ash was quite volatile. So, what are your expectations in FY25? Is it going to stabilize, or will it be volatile as before?
- Rajesh Khosla:** Sir, soda ash is a commodity, it will be volatile. And looking to the geopolitical situations like Red Sea and earlier, which was the Russia-Ukraine war and now Israel-Iran conflict, which is fuming. So, there will be volatility. But rest assured that AGI Greenpac management is quite expert in riding these tough waves and volatility. And we have been able to get through earlier also in the tough times of COVID and other areas. And certainly, these areas will also take care as well and numbers will be taken care of as we have committed to everyone, sir.

- Pinaki Banerjee:** Okay. Sir, correct me if I'm wrong. So basically, if the soda ash prices decrease, it is a fall in our realization price side and if vice-versa is the opposite?
- Rajesh Khosla:** Sir, in a commodity type of business, I think the best way of analysis is base plus surcharge model analysis, where the base prices remain more or less stable, or an organization has to make it stable. The surcharge is up and down of the volatility of the commodities. So obviously, when the commodity prices will fall, the realization of that surcharge mechanism will certainly fall. If it goes up, it will go up.
- So more important is how in these tough times, the realizations are up and down adjusted with the market and the profitability remains intact. So those are the things which we are trying to take care of.
- Pinaki Banerjee:** Okay. Sir, how much capex have we planned for FY25? And what will be the source of financing it?
- Om Prakash Pandey:** The capex for the year will be approximately ₹250 crores that we have planned.
- Pinaki Banerjee:** And so, your funding will be through internal accruals only?
- Sandeep Sikka:** Mix of internal accruals and the debt.
- Pinaki Banerjee:** Okay Sir, what is your debt repayment obligation in FY25?
- Sandeep Sikka:** Around ₹115 crores.
- Pinaki Banerjee:** Okay fine. Sir. And last question is, what is the percentage share of export at present?
- Rajesh Khosla:** Close to 8%, sir.
- Moderator:** The next question is from the line of Chandresh Malpani from Niveshaay Investment Advisors. Please go ahead.
- Chandresh Malpani:** I would like to know more about the industry dynamics. Considering that top 3, 4 players are not adding capacities. So, I just want to know at what rate the industry is growing and what are the dynamics? Are we losing any market share on that side because we are not having additional capacities to cater to the incremental demand?
- Rajesh Khosla:** Sir, if you don't mind, can you repeat your question because somewhere the voice was cracking.
- Chandresh Malpani:** Sir, I would like to know more about the industry dynamics, considering that top 3, 4 players are not adding capacity and the volume growth considering the industry where growth is high. So, I was asking about the market share, we are losing any market share?
- Sandeep Sikka:** As you would know that we are in process of acquisition of the company called Hindustan National Glass now constrained by not adding more capacity. Most of the capacity additions which we are doing are coming by way of debottlenecking of the existing facilities which we have. Our focus is more on value-added products. And once the acquisition comes through, once



we have the final approval from the respective Honourable Courts, the investors and shareholders can see the growth coming,

Glass manufacturing has a long gestation period. In the overall market scenario, there are adequate capacity today to meet the demand. That's why strategically no new capacity has been planned because it takes a long time to set up the capacity and then stabilize the capacity. That's why the market right now is growing. And the country has the capacity, and we feel that once the acquisition comes through, we should be able to maintain our growth momentum.

**Chandresh Malpani:** Okay. And sir, secondly on the HNG, their capacity is like close to 4,000 tons per day. So, what would be the current capacity that they would be operating at? And what would be our target to say in 6 months to 12 months once the acquisition is done? So where will we be targeting to reach the capacity utilization?

**Sandeep Sikka:** Right now, we are constrained under the confidentiality relating to making any disclosures on the plans of HNG. But only thing which I can say is that they have a declared capacity of 4,300 tons per day. But over last many years, they have operated in a range of 2,300 to 2,500 tons per day. That's all the disclosures which I can make today.

**Moderator:** The next question is from the line of Viraj Mahadevia from Money Grow. Please go ahead.

**Viraj Mahadevia:** Hi, my question has been answered. Thank you.

**Moderator:** The next question is from the line of Mohit Arora from Sync Research.

**Mohit Arora:** Hi, sir. Actually, my question has also been answered. Thank you so much.

**Moderator:** The next question is from the line of Miraj from Arihant Capital.

**Miraj:** If you can just let me know the volumes in Q4 for specialty and the remainder furnaces, the remainder in general?

**Sandeep Sikka:** We are disclosing annual volumes, not on a quarterly basis.

**Miraj:** Understood. And sir, in terms of understanding the industry, what would be your current capacity in the industry? Because the last figure I had was close to 8,600 tons per day. So, what would be the current industry capacity?

**Rajesh Khosla:** The problem with the glass industry is because there are a lot of small-scale industry or I can say, unorganized sector in this segment, which they are not opening up their capacities and we are not able to formalize the actual production, but looking to the data whatever data we have got available and then extrapolating the growth whatever we have got it for the last 2 years, 3 years, I can say like that, the things will be operating close to 11,000 tons a day in the container glass business.

**Miraj:** Okay. So, would it be not including the unorganized sector or is it including the unorganized?

**Rajesh Khosla:** Everything put together.

- Miraj:** Okay. Understood. And just final thing that if I got your comment correct that the FY25 growth we're expecting roughly 10%?
- Rajesh Khosla:** Yes, that is what we have committed.
- Miraj:** And that is in volume terms, right, sir?
- Rajesh Khosla:** Yes, because volume and value they go most of the time together unless until there is a fluctuation in the commodity prices.
- Miraj:** Understood and is there any other furnace that we are going to take for relining?
- Rajesh Khosla:** No. I think after this relining, we will not be relining for the next few years.
- Moderator:** The next question is from the line of Pramod Dangi from Unifi Investment Management LLP. Please go ahead.
- Pramod Dangi:** Just wanted to understand the process on the HNG. If assuming that the court verdict come in our favour on any day, whether it's the June, July, August. After that, what the timeline which we are looking at to complete this acquisition? How much time it will take? What are the procedures involving that? If you can throw some light on the process part of it?
- Sandeep Sikka:** This can only be an indicative answer because nobody can predict the timelines. But our view is, once the Supreme Court clears two set of litigation which are filed there, the proceeding for the approval of the resolution plan will start at NCLT.
- And we are hopeful that should be fast. We are hopeful once the Supreme Court clears this within a matter of 2 months to 3 months, NCLT should complete the formalities relating to the sanction of the resolution plan.
- Pramod Dangi:** Okay. Good. And the second, as of now, I think we believe as you disclosed in the earlier calls, we are looking to acquire this company if it happens through the debt. Our debt had significantly gone down from ₹1,100 crores to years back to almost at ₹250 crores to ₹280 crores now. So, is there any change in the thought process? What we would be looking on the debt side?
- Sandeep Sikka:** No, right now, the view is the same. But the ultimate capital structure in terms of equity and debt once we have acquired it, we'll make a full disclosure to the stock exchanges and to the investors at that particular time.
- Moderator:** Thank you very much. The next question is from the line of Riya Mehta from Aequitas Investment. Please go ahead.
- Riya Mehta:** Sir, there was a Supreme court judgment which has said that for acquisition of HNG we have to divest some part of the Rishikesh unit which is around 400 TPD. So, could you put more light on that?
- Sandeep Sikka:** This matter has been fully explained in the order of Competition Commission of India. I would request if you can visit their website.

- Riya Mehta:** Yes, actually, I checked from there only. So, will this lead to CCI going through the entire process again? Or that's the final verdict?
- Sandeep Sikka:** CCI approval is not conditional. This was a voluntary modification from our side, which has been affected. And there's no need for a fresh CCI approval after this because a CCI approval is not conditional, it's a clean approval.
- Riya Mehta:** So, we don't have to divest any part, right?
- Sandeep Sikka:** We have to divest within the stipulated time as per the CCI.
- Riya Mehta:** That would be how many months?
- Sandeep Sikka:** No, I can't disclose. That is confidential.
- Riya Mehta:** And post divestment only will be getting the NCLT approval? Or how is it?
- Sandeep Sikka:** This is a condition subsequent to acquisition. It does not change our resolution plan in any manner, point number one. And this is not a condition precedent. This is a condition subsequent.
- Riya Mehta:** Okay. But this, you will have to do, and this is something which we had filed for a voluntary modification, right?
- Sandeep Sikka:** Yes. We cannot sell anything until unless we have acquired it.
- Riya Mehta:** Right. But without this divestment, you cannot take over the entire assets, am I right?
- Sandeep Sikka:** No, it's the other way around. We have to first acquire and then sell the Rishikesh plant.
- Riya Mehta:** Okay. Got it. And post the Rishikesh plant, what would the capacity for HNG useful, in used condition?
- Sandeep Sikka:** They are right now operating at somewhere around 2,300 to 2,500 tons per day, subtract it by 400 tons per day after that.
- Riya Mehta:** Is this the operational capacity or total capacity?
- Sandeep Sikka:** No, I'm talking only the operational capacity.
- Riya Mehta:** Operational capacity. Okay.
- Moderator:** The next question is from the line of Aman Jain from Veer Capital
- Aman Jain:** Sir, my question is regarding to the acquisition that we are doing. Recently, I was reading an article in which it was written that SBI had approached the asset reconstruction companies to sell their stake. Now if this happens, how likely is it for HNG to not go through the liquidation process? Is there any chance for that?

**Sandeep Sikka:** You can't assess on the basis of articles which are published in media or social media. We have won the matters, both the matters on the National Company Law Appellate Tribunal, NCLT and CCI. The matter is right now subjudice before Honourable Supreme Court. As the matter is there, I would not like to opine anything on this because the matter is in front of Supreme Court. But the matters at the last appellate which is the National Company Law Appellate Tribunal.

**Aman Jain:** Understood. Now just following through the history of this entire acquisition, earlier we had challenged order that independent sugar could not apply to a green channel route which was given in favor of independent sugar by CCI. Then there were some questions raised regarding our disclosures also and we have to pay some penalty as well. I believe it's to the amount of ₹5 lakhs. And I just want to understand that even the former Chief Justice of India they had mentioned that our disclosures should be taken in consideration. So, I just want to understand how confident are we that this will actually fall in our favor when there are so many questions being released.

**Sandeep Sikka:** These are two separate set of litigations. One litigation is on the process, which is pending before the Supreme Court. And there is a penalty which has been applied, you can go through the SEBI order which is available on the website. The content is very self-explanatory. These are only relating to the disclosures; which industry makes as such. But we reserve our rights without prejudice, with prejudice we want to say that we are taking legal advice on the SEBI order, and we'll get back.

**Aman Jain:** Understood. And that's my final question before I get back in the queue that I have also seen one more article in which it was written that the approval that we received from the committee of creditors, which was at 98%, while Independent Sugar has received only 88%. At the same time, we had also received an offer from one of the Special Situations Fund for roughly ₹1,100 crores of funding for the acquisition, but it was also alleged that the same fund was present and the committee of creditors. Will such a matter compromise our authority for acquisition?

**Sandeep Sikka:** It's very difficult for us to make any opinion. You should not look at articles. You actually have to consult a lawyer then to see what the impact is and what is the underlying law and how it is impacting the whole IBC process. If you want to hear disclosures in terms of fair understanding, it is important that you consult an IBC lawyer. If anybody has any issue, anywhere, that matter get subjudice either at NCLT or NCLAT. You can have a tab of that. But you have to see on the previous cases settled across the country, either in NCLAT, NCLT or Supreme Court and plus the understanding of the law that makes the whole thing much clearer.

**Aman Jain:** Understood, sir. All the best for going ahead. I hope this acquisition goes through.

**Moderator:** The next question is from the line of Miraj from Arihant Capital.

**Miraj:** No, my question has been answered.

**Moderator:** The next question is from the line of Pravin Sharma an individual investor.

- Pravin Sharma:** Congratulations for the good set of numbers. My question is on one of the housekeeping points, which is what I see is the finance cost this year has been ₹87 crores versus ₹57 crores last year FY23, which is like 40%, 50% jump despite the borrowings coming down in FY24.
- So, can someone explain me as to why the finance cost is so high in FY24? And what is our average cost of borrowing?
- Sandeep Sikka:** There has been a substantial capex in terms of when you see on a year-on-year basis. One furnace came into production in January 2023. One is the impact of that. And last year, we had done the relining as well as the debottlenecking of our existing capacity by 100 tons, for which, again, the term loans were taken. This is a net impact of the same. The overall reduction in a debt in terms of the overall cash flow requirement. But in the interim during the year, we have availed the debt facilities basis which the interest factor has been completed.
- Pravin Sharma:** So, in FY25, what should be the finance cost, it will go down from ₹87 crores, correct? Because we have reduced our borrowing.
- Sandeep Sikka:** It should reduce slightly. But again, we have a capex because one of the furnaces coming for relining, and again we are enhancing the capacity. Mr. Pandey has already said that we'll be doing somewhere around ₹200 crores plus. There will be some surplus cash, which will come from operations, which will further reduce the debt.
- Pravin Sharma:** And sir, when we do these relining like ₹200 crores of relining, which we are doing, what is the return on investment or payback period typically we look after?
- Sandeep Sikka:** We have set up a plant and these furnaces have a life range between 8 years to 10 years. At end of the life, the fuel consumption starts increasing. It's like when you have bought a car, you need to service the car. So, it is not relating to ROI of it. What you have to see overall ROI or the overall ROCE of the company. In order to even maintain that ROCE, capex is required.
- Pravin Sharma:** And in the process, we are getting 80 TPD.
- Sandeep Sikka:** Yes. And in the process, we are enhancing the capacity, which will give us higher tonnages.
- Pravin Sharma:** Okay. And sir, our gross margin this quarter was slightly lower on a year-on-year basis. So, what I assume is that this is because of the higher cost inventories? How much inventory do we keep for the raw materials?
- Sandeep Sikka:** We don't measure our operations on a gross margin basis. We measure on the EBITDA per ton basis.
- Pravin Sharma:** And EBITDA per ton in this quarter Y-o-Y basis sorry, I don't recall from the presentation, is that 15%?
- Sandeep Sikka:** When you see 12 months to 12 months, EBITDA per ton has grown somewhere around 15% to 20%.
- Pravin Sharma:** Okay. And going forward do we see maintaining it and improving it?



**Sandeep Sikka:** Here is not an EBITDA per ton factor, it's more relating to ROE, which we look at in terms of enhancing our product profile with a factor of a number of things i.e. how our product mix change, how better we are able to upgrade our realization in terms of our offerings to our customers. It's a factor of all this. But definitely, the focus is to enhance the EBITDA per ton.

**Moderator:** As there are no further questions, I would now like to hand the conference over to management for closing comments.

**Sandeep Sikka:** I would like to thank everybody who joined the call today. We hope that we will have been able to answer your questions. If there are any further set of queries, please get back to us. Thank you.

**Moderator:** On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

**Notes:**

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