

CMP: INR 705

Rating: BUY

Target Price: INR 1,742

Stock Info

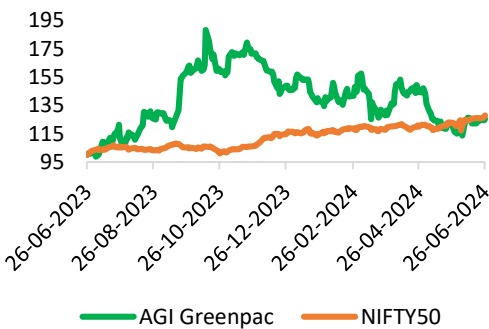
BSE	500187
NSE	AGI
Bloomberg	AGIG:IN
Sector	Packaging
Face Value (INR)	2
Mkt Cap (INR Mn)	45,418
52w H/L (INR)	1088/560
Avg Daily Volume (in 000')	232

**Shareholding Pattern %
(As on Mar, 2024)**

Promoters	60.24
Public & Others	39.76

Stock Performance (%)	1m	6m	12m
AGI	-0.6	-21.4	22.9
NIFTY	5.9	11.9	25

AGI Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022-42254872

Miraj Shah
miraj.shah@arihantcapital.com
022-67114865

Analysis of Acquisition Case Proceedings

AGI Greenpac (AGI) has been trying to acquire Hindusthan National Glass (HNG) through NCLT process. However, company has faced objections from multiple parties (i.e. Independent Sugar Corp (INSCO), UP Glass Manufacturing Syndicate (UPGMS), HNG Worker Union and a few others).

AGI received approval from CoC (committee of creditors) and CCI. The approvals were objected in NCLT. After hearing the pleas, NCLT quashed all the cases against AGI. The appellants took it up in NCLAT which was quashed again. Now the case is pending hearing in Supreme Court (since October 2023).

The NCLT has been advised not to rule any verdict for the resolution plan submitted by the resolution professional (Mr Girish Juneja) since the hearings regarding objections are subjudice.

We believe the case has more strength in favor of AGI Greenpac and that the acquisition will go through. We have tried to analyse and summarise the case proceedings and events that have unfolded till date.

Timeline

Date	Particulars
21-10-2021	Commencement of Corporate Insolvency Resolution Process for HNG
25-03-2022	Form G published by Resolution Professional (invitation for expression of interest)
24-05-2022	Request for resolution plan supplied to provisional resolution applicants
21-07-2022	Submission of resolution plan for HNG to the resolution professional by AGI (plan was amended and restated on 26-09-2022)
25-08-2022	Resolution Professional granted relaxation to applicants for procuring CCI approval after the CoC approval
21-09-2022	NCLT rejects UPGMS plea to withdraw the three resolution plans submitted in CIRP
26-09-2022	AGI Greenpac submitted an amended and restated Resolution Plan to the RP
27-09-2022	AGI Submits Form 1 in CCI for approval
29-09-2022	INSCO filed for approval before the CCI
30-09-2022	INSCO received green channel approval from CCI
07-10-2022	UP Glass Manufacturers Syndicate filed objections in CCI against AGI's application

Timeline (continued)	
Date	Particulars
17-10-2022	CCI asks for Form 2 submission by AGI
28-10-2022	CoC approves AGI plan, RP declares AGI Greenpac Successful resolution applicant with 98% vote share (INSCO received 88%)
03-11-2022	AGI files form 2 as directed by CCI
November, 2022	Resolution Professional submits resolution plan of AGI Greenpac for approval in NCLT, Kolkata
16-11-2022	UPGMS filed objections (for the second time) in CCI against AGI application for approval
November, 2022	INSCO submits request in NCLT Kolkata to set aside selection of resolution plan submitted by AGI
23-11-2022	Clarifications were asked by CCI to AGI on 17th November which were provided on 23rd November
02-01-2023	CCI asked for further info on 24th November which were submitted on 8th December. Post this further queries was raised on 28th December which was submitted on 2nd January 2023
16-01-2023	NCLT rejects intervention plea filed by UPGMS dated 16-11-2022 against the combination application submitted by AGI
09-02-2023	Prima Facie opinion formed by CCI that acquisition will cause adverse effect on competition. Show cause notice issued on 10-02-2023 seeking AGI's response on why CCI should not conduct a detailed analysis
23-02-2023	NCLAT dismissed UPGMS's plea against NCLT order of 16-01-2023
07-03-2023	CCI rejected UPGMS's plea to inspect case records
10-03-2023	Response to show cause notice along with voluntary modifications submitted by AGI to CCI
15-03-2023	AGI Gets CCI approval
28-04-2023	NCLT rejects INSCO's request (submitted in November 2022) to set aside the selection of resolution plan submitted by AGI
28-07-2023	NCLAT dismisses all pleas against CCI's judgement
18-09-2023	NCLAT dismisses all pleas against NCLT's order of 28-04-2023

Through the bidding process, AGI Greenpac submitted and won the bid for HNG with 98% vote share while INSCO won only 88% votes. As per multiple articles, AGI Greenpac's bid was between INR 21 – 22.16 Bn and was the highest figure as well. The exact figure or earn-out structure is unknown as the media articles have cited multiple figures

There were Four main documents surrounding the case:

- Competition Commission of India - order of 15th March 2023
- NCLT order of 28th April 2023
- NCLAT order of 28th July 2023
- NCLAT order of 18th September 2023

(1) We will try to break down and simplify the orders and judgments of all the bodies, starting with the Competition Commission of India.

AGI originally filed the application for approval of CCI via Form I on 27th Sept 2022. In response to this, the commission observed that the information provided in the notice was not sufficient to carry out comprehensive analysis and would lead to an incorrect assessment if they continued with it.

CCI asked AGI to fill the form II on 17th October 2022 which was filed on 3rd November 2022. Subsequently, more data was provided on 9th December 2022, 28th December 2022 and 2nd January 2023.

On 9th February 2023, the CCI formed a prima facie opinion (after considering details on record) that the acquisition (proposed transaction) would cause an Appreciable Adverse Effect on Competition (AAEC) and issued a show cause notice (SCN) on 10th February 2023 to AGI Greenpac.

On 10th March 2023, AGI responded to the SCN and voluntarily offered to divest the Rishikesh Plant of HNG post acquisition. On 14th March 2023, AGI submitted additional clarifications regarding the voluntary divestment (modification). On 15th March 2023, CCI approved the proposed combination (subject to compliance of the modification offered by AGI)

About the Rishikesh Plant:

The Rishikesh plant is set up on an area of 11.3 acres having two glass melting furnaces and a production capacity of 400 TPD (out of total capacity of 4,300 TPD). As of FY22, the Rishikesh plant was least loss making and generated a revenue of INR 2.9 Bn, operating at a 91.1% capacity utilization (highest utilization plant in FY22). The land value of Rishikesh plant was pegged at INR 2.5 Bn (As stated in the NCLAT document).

The Rishikesh plant had undergone cold repair in 2016 allowing it to be maintained till 2028. The plant is used for the production of glass containers catering to the alco-beverage, F&B, pharmaceutical and wellness industries.

Simply put, the Rishikesh plant was one of the best asset which was put up for divestment. This was necessary in order to truly deleverage competitive intensity in the industry. The sale would allow a new player in the market with a decent facility. Moreover, AGI is not allowed to buy back the plant for 10 years from the date of sale of the plant.

Our View:

There have been numerous articles on the web regarding the approval granted by CCI. **Firstly, the allegations were that the first application of AGI was rejected by CCI.** Nowhere in the document of CCI is it written that they reject the application made by AGI. CCI had simply mentioned that in order to avoid incorrect assessment, they require AGI to submit Form II instead of Form I.

The second allegation was that the approval granted was a conditional approval. The approval granted by CCI has no conditions attached to it. It is only post acquisition that AGI is required to comply with its commitment to divest the Rishikesh plant. CCI has clearly laid out the guidelines for disposal of the Rishikesh Plant. Within the guidelines, CCI has made it clear that if the divestment is not completed within the first divestment period (duration redacted from document) then CCI will appoint a Divestiture Agency who will complete the divestment process within the second divestiture period. The divestiture cannot be perceived as a conditional approval rather a prerequisite to be followed once the acquisition is completed. It cannot be considered as a conditional approval because it does not impact the resolution plan at all; with or without the modifications offered voluntarily.

(2) Next, we look at the NCLT document dated 28th April 2023

There were multiple applications/cases filed. First one was I.A. (IB) No. 1497/KB/2022 in which **the applicant was Independent Sugar Corp and respondents were the Resolution Professional and AGI Greenpac.**

The appeals were: (1) to dismiss the resolution application filed before NCLT by the RP approving AGI Greenpac's plan, (2) to direct the RP to withdraw their communication stating AGI Greenpac was the successful resolution applicant, (3) to direct the RP to resubmit Independent Sugar Corp's plan for reconsideration with the CoC and (4) to grant a stay on any further proceedings pertaining to the Resolution Plan.

The important fact in this hearing was that, on 25th August 2022, the RP had granted relaxation to the Resolution Applicants **to procure CCI approval post the approval of the Plan by the CoC but before the approval the application for Plan approval before the NCLT.**

This was contradictory to the Section 31 (4) of IBC

Independent Sugar Corp (INSCO) wanted AGI's resolution plan to be dismissed as they failed to obtain the mandatory approval of CCI prior to the approval of resolution plan by CoC. They cited [section 31 \(4\) of IBC](#) to support their view.

As per Section 31 (4) of IBC 2016, “The resolution applicant shall, pursuant to the resolution plan approved under sub-section (1), obtain the necessary approval required under any law for the time being in force within a period of one year from the date of approval of the resolution plan by the Adjudicating Authority under sub-section (1) or within such period as provided for in such law, whichever is later: **Provided that where the resolution plan contains a provision for combination, as referred to in section 5 of the Competition Act, 2002. the resolution applicant shall obtain the approval of the Competition Commission of India under that Act prior to the approval of such resolution plan by the committee of creditors.**”

Section 5 states, the acquisition is to be considered as combination if the combined asset value exceeds INR 10 Bn.

In response to that, the RP stated that they had discussed with the members of CoC in meeting on 28th October 2022 that AGI did not have the required CCI approval. The members were of the view that as long as the CCI approval is obtained prior to the approval of the Resolution Plan by NCLT, such action would not be in contradiction of the IBC Code

Subsequently, AGI and the RP filed applications with the NCLT on 30th March 2023 and 12th April 2023, respectively which were the approvals of CCI. **With consideration to this application, NCLT was of the view that the required approvals were present.**

If we simply look at what is written in the law, then AGI failed to obtain the prerequisite approval. But as per numerous previous cases referred in the document, **the NCLT was of the view that the prerequisite approvals were received by AGI (the view was formed after taking on record the CCI approval).** The NCLT dismissed all objections of I.A. (IB) No. 1497/KB/2022. However, the NCLT had not passed any verdict on I.A. (IB) No. 1401/KB/2022 (which is the application by RP to approve AGI’s plan). Consequently, the case for approval of resolution plan was listed for a later date.

(3) Now looking at the first case of NCLAT for which judgement was pronounced on 28th July 2023. This appeal was against the CCI order of 15th March 2023

The appellants for this case were UPGMS, INSCO, Geeta & Company and HNG Industries Thozilalar Nala Sangam (Worker Union) while the respondent was CCI.

- **UPGMS:** UPGMS first sought intervention of NCLT when prospective resolution applicants were submitting their bids to acquire HNG (which was not entertained by NCLT). Later, they filed objections again when AGI filled Form 1 in CCI (which was not entertained again).
- **INSCO:** INSCO claims to be aggrieved by the CCI order approving AGI’s resolution plan as they had the CCI approval through Green Channel Route as on 30th September 2022 (prior to resolution plans being voted by CoC)
- **Geeta & Company:** Represent the worker’s at the Rishikesh plant (which will be divested post acquisition by AGI) feared that the plant may be shut down/disposed off (as per terms of divestment) or may not be operated as a going concern by the new buyer
- **HNG Industries Thozilalar Nala Sangam:** Workers Union representing workers at the Puducherry plant pleaded that CCI has failed to follow the process of law and principles of natural justice in passing the order dated 15th March 2023 as they feared loss of employment of workers.

The above appellants claimed that the acquisition would cause an Appreciable Adverse Effect on Competition (AAEC) and lead to a combined market share of ~60%. They sought a personal hearing with the CCI to contest the application filed by AGI in CCI, which was denied.

The appellants argued that the Show Cause Notice issued by CCI was only issued to AGI while they were supposed to issue it to the “parties to the combination”. Further, the appellants argued that the RP of HNG was not informed about the show cause notice since they were also a “party to the combination”. UPGMS appealed to set aside the CCI approval of AGI on the lapse of this procedure.

As per [Section 29 \(1\) of the Competition Act](#), “Where the Commission is of the [prima facie] opinion that a combination is likely to cause, or has caused an appreciable adverse effect on competition within the relevant market in India, it **shall issue a notice to show cause to the parties to combination** calling upon them to respond within thirty days of the receipt of the notice, as to why investigation in respect of such combination should not be conducted.”

And as per Section 29 (2), “The Commission, if it is prima facie of the opinion that the combination has, or is likely to have, an appreciable adverse effect on competition, it shall, within seven working days from the date of receipt of the response of the parties to the combination, [or the receipt of the report from Director General called under sub section (1A), whichever is later] direct the parties to the said combination to publish details of the combination within ten working days of such direction, in such manner, as it thinks appropriate, for bringing the combination to the knowledge or information of the public and persons affected or likely to be affected by such combination.”

Basically, as per section 6, 29 and 30 cumulatively state that the Commission was supposed to issue SCN to the RP of HNG as well, instead of just AGI, and direct AGI to publish the details to the public (of the response of SCN) if the commission felt that the combination is likely to have an appreciable adverse effect on competition.

As per the appellants, since the CoC already passed the Resolution Plan on 28.10.2022, the Commission had no jurisdiction to proceed to approve the proposed combination submitted by AGI. The appellants further argued that the modifications suggested by AGI did not eliminate AAEC, the commission did not examine the modifications offered by AGI, the Commission merely put its stamp of approval on the modifications, the facts submitted by AGI were accepted as gospel truth without verifications and the CCI without application of mind hurriedly proceeded to approve the combination after receipt of the modification without completing the process under Section 29.

CCI, the respondent, countered that none of the appellants had any locus standi (right to be heard) in the case as an appeal can only be filed by any person aggrieved by any direction, decision or order passed by the CCI. CCI argued to dismiss the case on this basis. The CCI further argued that with the voluntarily modifications, the combination was not likely to cause AAEC, hence, there was no occasion to direct the parties to publish the details of the combination.

The commission approved the combination under Section 31 (1) because no prima facie opinion was formed at the second stage (after voluntary modifications). As per CCI, the divestiture of the Rishikesh Plant adequately addressed the AAEC concern.

The decision of the Commission to approve/disapprove the application (of AGI) was to be taken within a time line. The Appellants plea that the Commission hurriedly passed the order was incorrect.

The appellants had no right to be heard or permitted to participate in the proceedings while CCI approved the combination. The approval of Resolution Plan by the CoC on 28.10.2022, does not affect the jurisdiction of the CCI to examine the notice under Section 6 (2) of 03.11.2022.

AGI, agreeing with the counters of CCI, further mentioned that the information submitted in CCI were available in public domain (which were provided by Resolution Professional of HNG). **The RP having examined the Resolution Plan submitted by AGI and having found it compliant with IBC Code has placed it before the CoC, which clearly indicates that the RP of HNG had no objection regarding acquisition.**

After hearing the appellants and respondents, the NCLAT found the following important questions and answered them as well:

(i) Whether the appellants had locus to challenge the CCI order?

Answer: NCLAT stated that the pleas raised by appellant be considered on merits, instead of rejecting the appeal on the ground of locus. Based on merits, NCLAT found that UPGMS had sufficient grounds to challenge the order.

(ii) Whether non-issuance of Show Cause Notice to HNG nullifies the order of approval granted by the Commission?

Answer: NCLAT found that the RP had no objection against order of CCI approving AGI's plan and the CoC had approved AGI's plan before AGI submitted Form 2 in CCI. NCLAT stated that the CCI's approval cannot be annulled as the CoC or the RP had no objection against non-issuance of SCN

(iii) Whether CCI was required to direct the parties to the combination to publish details of combination? Whether the CCI's order should be set aside as they did not direct AGI to publish details of the combination?

Answer: NCLAT found that the publishing the details was not required (since there was no prima facie opinion at second stage). Hence, the CCI's order need not be set aside.

(iv) Whether the modifications suggested by AGI adequately addressed the AAEC of CCI? Whether CCI examined the relevant aspects?

Answer: NCLAT stated that the CCI did a detailed evaluation of modification proposed by the AGI and is fully satisfied by the examination of CCI. The NCLAT also referred to an earlier judgment of the Supreme court which stated that when a power is given to an Expert Body to determine a question of law and fact, the same is generally treated as final.

(v) Whether the CCI order was in violation of principles of natural justice since the objections filed by UPGMS were not duly considered even after the order dated 22.02.2023?

Answer: NCLAT stated that the right to third parties to submit objections arises when the Commission directs the parties to publish the details of the proposed combination, which stage never arose in the present case. Hence, the NCLAT concluded stating that there was no violation of principles of natural justice. The submission of UPGMS that CCI did not adequately address their concerns was incorrect. The submission that order dated 15.03.2023 did not address the concern of the Appellant regarding AAEC also cannot be accepted.

Our View:

NCLAT clearly stated the objections could not stand as the RP and CoC were aware about the position of AGI in CCI. In many previous cases, the NCLAT and Supreme Court have stated that the CCI is an expert body and their verdicts are on the back of thorough analysis.

(4) Now we look at the final NCLAT order for which the judgement was pronounced on 18th September 2023. The appeals were filed against the order of NCLT (passed on 28th April 2023)

The appellants were Soneko Marketing Pvt Ltd, UPGMS, HNG Karamchari Union (workers union of Bahadurgarh Unit) and Independent Sugar Corp. The respondent was Mr Girish Juneja, RP of HNG

- **Soneko Marketing:** is engaged in the business of domestic and international trading of iron ore, fines and limestone. The company has claimed that they were supplying soda ash and limestones to HNG since 2019 but were not aware of the developments in CoC. They filed a claim amounting to INR 96.6 Mn.

- **UPGMS:** filed an application in NCLT to halt and withdraw the three resolution plans submitted in CIRP (corporate insolvency resolution process), which was rejected on 21st September 2022. UPGMS also filed an application in CCI objecting AGI's plan. UPGMS also filed an Intervention Application in NCLT against the combination plan of AGI which was rejected by NCLT on 16th January 2023. An appeal against NCLT's order of 16th January 2023 was filed in NCLAT which was rejected on 23rd February 2023

- **INSCO:** challenged the NCLT order dated 28th April 2023

- **HNG Karamchari Union (workers union of Bahadurgarh Unit):** claimed to be an aggrieved entity by NCLT order and filed an Intervention Application

The appeal by the appellants in NCLAT was that AGI's resolution plan should be rejected as they failed to obtain the mandatory approval of the CCI before the approval of Plan by the CoC. They further submitted that requirement to get CCI approval under proviso to 31(4) is 'mandatory' and not 'directory' and the same is required to be availed before the approval of the Plan by the CoC.

Another appeal was that AGI's resolution plan was conditional (as per the voluntary modification) and should not be approved by NCLT

As per [section 31 \(4\) of IBC](#) "The resolution applicant shall, pursuant to the resolution plan approved under sub-section (1), obtain the necessary approval required under any law for the time being in force within a period of one year from the date of approval of the resolution plan by the Adjudicating Authority under sub-section (1) or within such period as provided for in such law, whichever is later: Provided that where the resolution plan contains a provision for combination, as referred to in section 5 of the Competition Act, 2002, the resolution applicant shall obtain the approval of the Competition Commission of India under that Act prior to the approval of such resolution plan by the committee of creditors."

In simple words, the act states that if there is a provision for the combination (modification) then the approval of CCI should be taken before the approval of CoC

After hearing all the parties, the NCLAT laid down the following by citing the verdicts of numerous previous cases:

- CCI has 210 days to approve a combination, CIRP has to be completed within 180 days (330 days from insolvency commencement date) and CoC has 165 days to consider a plan for approval.
- NCLAT has stated that the CCI clearance is not in the hands of the resolution applicant (who applies for CCI approval after the submission of plan in CoC). The CCI has to act as per its statutory provisions and has 210 days to approve a plan. If it is held that the approval of CCI is mandatory prior to the approval by the CoC, it will lead to incongruous result and adverse effect on the CIRP. The CIRP cannot be frozen or be put at halt because an application is submitted before the CCI.
- The NCLAT further ruled that the approval by CCI is mandatory but the approval by the CCI prior to approval of CoC is directory. With this ruling, NCLAT rejected appeal of INSCO against NCLT order of 28th April 2023 and mentioned that they found no grounds to interfere with the NCLT order.
- **In this order, the NCLAT had only opined on the interpretation of Section 31 (4) of IBC**

Our View: In logical terms, the CoC approval, which has 30 days timeline for approval of a plan (130 days time granted to applicants for submission of plans to CoC) will be exhausted if the CCI does not give approval till 30 days. At the same time, CCI will still be within their own stated guidelines to take full 210 days. There have been previous cases cited where the NCLAT has ruled that CCI approval timeline is directory but the approval before approval from NCLT is mandatory (when the NCLAT orders were challenged in higher court, the Supreme Court dismissed the applications directly). The case was dismissed by relying on the expert judgement of previous cases.

Outlook: Based on the information and judgements of the NCLT and NCLAT orders, we believe the case has more weight in AGI's favor. The appellants challenged the NCLAT verdict in Supreme Court and the case is pending hearing since October 2023. The Supreme Court is on summer vacation till 8th July hence no hearing will happen till then. Once the Supreme court verdict is out, if it is in favor of AGI Greenpac then the NCLT will go ahead and give the final order on I.A. (IB) No. 1401/KB/2022 (which is the application by RP to approve AGI's plan) along with resolving other pending cases which were also taken up in NCLAT directly. The case is subjudice so we cannot affirm the outcome but in probabilistic scenario, we believe the case will land in favor of AGI Greenpac. For this reason, we have modelled our calculations assuming that AGI acquires HNG.

We had originally released a sales note in September 2023 and continue to believe that **AGI Greenpac will deliver extremely strong performance**, driven by the acquisition. Based on our estimates, we believe AGI Greenpac can deliver Sales/EBITDA/PAT CAGR of 41%/36%/37% between FY24-27E. **We have a BUY rating on the company but revise our target price to INR 1,742 (assigning 50% weightage on FY27PE (20x) and DCF calculation).**

Link to our sales note: <https://bit.ly/3XFS9fx>

Link to Q4FY24 Result Update: <https://bit.ly/3VIO8Em>

Following are the documents we referred to make the note:

- [Competition Commission of India - order of 15th March 2023](#)
- [NCLT order of 28th April 2023](#)
- [NCLAT order of 28th July 2023](#)
- [NCLAT order of 18th September 2023](#)

Other Links that we referred to, to understand the law a bit better: (this includes arguments for both the sides)

- <https://www.cbfnludelhi.in/post/the-proviso-to-section-31-4-of-the-ibc-directory-or-mandatory>
- [https://bhattandjoshiassociates.com/insolvency-whether-the-requirement-of-approval-by-competition-commission-of-india-cci-prior-to-the-approval-of-resolution-plan-by-the-coc-is-mandatory-or-directory-under-the-proviso-to-section-314/#:~:text=Section%2031\(4\)%20of%20the,it%20is%20approved%20by%20CoC.](https://bhattandjoshiassociates.com/insolvency-whether-the-requirement-of-approval-by-competition-commission-of-india-cci-prior-to-the-approval-of-resolution-plan-by-the-coc-is-mandatory-or-directory-under-the-proviso-to-section-314/#:~:text=Section%2031(4)%20of%20the,it%20is%20approved%20by%20CoC.)
- <https://indiacorplaw.in/2020/10/an-argument-in-favour-of-an-effectively-mandatory-cci-approval-under-section-314-of-the-ibc-part-i.html>
- <https://businessworld.in/article/hng-insolvency-justice-rohinton-nariman-says-agi-resolution-plan-contrary-to-law-519338>
- <https://www.opindia.com/2024/05/edelweiss-ernst-young-insolvency-bankruptcy-code-ibc-hng-insco-agi-greenpac-case/>
- <https://economictimes.indiatimes.com/markets/stocks/news/sbi-taps-arcs-for-sale-of-hindusthan-national-glass-loan/articleshow/106970810.cms?from=mdr>
- <https://www.moneycontrol.com/news/business/stocks/agi-greenpacs-acquisition-of-hng-may-be-challenged-by-rival-bidder-9480151.html>
- <https://businessworld.in/article/hng-insolvency-case-unraveling-big-conflict-and-quid-pro-quo-deal-514166>

Scenario Analysis		
Case	Outcome	What will happen
Bull Case	AGI Greenpac wins the acquisition in NCLT and also wins case in Supreme Court in FY25 (before March 2025)	The acquisition will go through and AGI will have the largest capacity in Glass Manufacturing Industry (the largest producer)
Bull Case	AGI Greenpac wins the acquisition in NCLT and also wins case in Supreme Court after 2025 (after March 2025)	The acquisition will go through and AGI will have the largest capacity in Glass Manufacturing Industry (the largest producer) but the estimated revenues will be delayed by 1 year
Bear Case	Supreme Court does not side with AGI and asks for the procedure to start from rebidding	Both the parties (and potentially other interested parties) shall resubmit fresh bids and start from approval of CoC. Procedure will again involve CoC and NCLT approval
Bear Case	Supreme Court does not side with AGI and asks to liquidate HNG	HNG will get liquidated and the assets can be purchased by any player. This will create a huge gap in supply side as HNG does volumes of 2300-2400 tpd in industry of 11,000 tpd. AGI can purchase assets of HNG as per their preference.
Bear Case	Supreme Court rejects AGI's bid and asks CoC to consider only INSCO's bid	AGI will get no part of HNG, AGI can start with their own capex plans (which are currently none because they aim to acquire HNG)

Proxy of premiumization in Alcobev Segment:

As per our observations, there has been a shift in the packaging used in the lower end alcobev segment. Players have moved from glass bottles to PET bottles (due to cheaper cost). Despite this shift, the glass bottle industry has still growth ~5-7% CAGR over the past 2 years. The premiumisation story is intact and reverberated by the entire alcobev industry. The premium and above category continues to use glass (due to its aesthetic appeals, among other benefits). The increase in per capita income, followed by disposable income, suggests strong prospects for the premiumization story of alcobev companies. We have summarized the industry commentary, which reflects that the entire industry is focusing on the premiumization aspect primarily.

There also lies a possibility of lower end alcobev segment to shift back to glass packaging if the cost of PET bottles increase.

Recent Commentary from Industry Players

Associated Alcohols & Breweries Ltd (Q4FY24)	We've embarked on a strategic journey focused on the premiumization of our product portfolio and geographic expansion. Our primary focus continues to be advancing premiumization within the alco and beverage industry. We anticipate sustained double-digit revenue growth, particularly within our premium product segment. We have got another two products lined up. One product will be launching in next quarter and second quarter and the other product will launch in the third quarter.
Associated Alcohols & Breweries Ltd (Q3FY24)	Our diversified portfolio sets us apart from in-house brands to producing renowned international brands with a particular focus on crafting premium in-house brands. In line with our premiumization strategy, we have introduced Central Province Rum in the premium category and handcrafted Gin Nicobar in the super premium category. We expect an increase in the EBITDA margin over the period of years to come in our IMFL segment because we are heading ourselves to a premiumization. And we have, for the next year onwards, each quarter, we have got a product, a premium product lined up. So, as the entire industry is moving towards premiumization, so the company is also looking into ride that path and increase the margins in their own IMFL products .
Indian Glycols Ltd (Q4FY24)	We are taking is introduce new premium brands, which is as far as all other states are also concerned. We are at least in the next 6 months or a year, we do not have any plans to add new states instead, we have all the plans to introduce premium brands. Because it is very easy to start new states, but the working capital requirement is so high and open credit has to be given. So we don't want to lose money in the business. So as a strategy or as a cautious step, what we have done, we are not increasing in this year more states. Instead, we are bringing in two more new brands
Indian Glycols Ltd (Q3FY24)	We've also been focusing on premiumization and improvement in the width of distribution, which is also yielding results both in terms of top line growth as well as quality of the business.
Tilaknagar Industries Ltd (Q4FY24)	Despite the inflationary pressures seen in raw materials and packing materials, we were able to expand the margins through a combination of our premiumization drive, price increases received in key states, cost optimizations and operating leverage. Just to add one more point that the disposable income of people increasing, there is still a lot of scope of premiumization in bandy category. We are at 33% and Whiskey and Vodka are 55%- 60%. And being the leader in P&A in Brandy, we will continue to drive the growth in the Brandy category.
Sula Vineyards Ltd(Q4FY24)	Our strong point is the fact that we have successfully created some of the strongest and most recognizable premium alcobev brands in India. Especially, I want to highlight our Source brand, which has been the most successful premium Indian wine brand launch of the last decade and continues to be a very strong performer. Our elite and premium brands witnessed 14% value growth. Elite and premium value growth for the full year stood at 15.5%. This is very much in line with our focus on premiumization.
Sula Vineyards Ltd(Q3FY24)	Our focused efforts on the higher-end segment, that is our elite and premium, have succeeded in increasing their share of our sales to 77% in value terms in Q3, and that's up from 74% a year ago, so our premiumization story is still very much intact, and we do believe that that's going to continue to play out for some time to come. Elite and premium has grown by 7%, while popular and economy de-grew by 6%.

Recent Commentary from Industry Players *(continued)*

Radico Khaitan (Q4FY24)	<p>With the rising affluence, low per capita consumption levels and a strong premiumization trend, I am confident of the mid to long term potential of the Indian AlcoBev sector. The market share in the Prestige & Above category is on the increase and I repeat faster than the industry. Next 3 years will surprise the tipplers across the world. I think our aspiration to bring this to mid-teens kind of margin remains because of product premiumization and some price increases. In 2 to 3 years, we will again 100 to 125 basis point of increase in FY26 further.</p>
Radico Khaitan (Q3FY24)	<p>We have further expanded our luxury offerings with the launch of Spirit of Victory 1999 Pure Malt Whisky. The launch not only reiterates our premiumization strategy but is also a testament to our innovation and brand creation capabilities. Priced at Rs 5000, this brand is targeted at a mid-priced luxury segment. Improvement in IMFL realisation is due to combination of price increases and continued premiumization.</p>
United Spirits Ltd (Q4FY24)	<p>Our portfolio actually provides multiple premiumization levers to help consumers drink better, not more. We have premiumization opportunities within segment so that's essentially between Popular and P&A. We have premiumization opportunities within our trademarks. So if you look at Royal Challenge and Royal Challenge American Pride, that's a premiumization within the same trademark.</p> <p>Growth in the Luxury, Premium portfolio has accelerated significantly from FY'21, with this segment now contributing to more than one-third of our NSV salience. And you can see that we have also gained both in Mid Prestige and Upper Prestige. On the third lever of premiumization that is within trademarks, we have intensified our brand innovations over the last few years, aligned with changing consumer choices, entry of new cohorts and premiumization trends. And then premiumization lever-4, which is within categories, which is by introducing and creating new categories.</p> <p>And what we can share is that the top half of the portfolio, again, has gained about 3 percentage points of salience versus last year, which is effectively the premiumization. And if you look at the contribution to growth, almost 75% of our growth, 3/4 of our growth come from the top half of the portfolio, which is Luxury, Premium, Upper Prestige and Mid Prestige.</p>
United Spirits Ltd (Q3FY24)	<p>In our global brand portfolio, we continue to witness healthy premiumization trends with the premium and luxury offerings growing ahead of the mainstream Prestige segment and repertoire behavior continuing at the top end. Price/mix has remained strong at 9.3%, driven by continued premiumization focus.</p> <p>I think the difference is that in CPG, people are moving to value packs and down trading. In our category, they are not down trading. They are just sort of cutting back on occasions. So, they've been drinking on fewer occasions, but sticking to their favourite brands. And we -- I think the premiumization trend is still intact, right? So, this category bounces back pretty fast when the consumer is back. So, I would say in the short term, we see where it goes. But in the medium term, right, I mean if you just look at the penetration headroom, if you look at the premiumization trend and the potential for premiumization, I would say, the medium-term fundamentals are still intact for our industry.</p>
Globus Spirits Ltd (Q2FY24)	<p>So we are busy doing some renovations in its offerings and also bringing in some innovation, which is yet not known to the market and consumer and yourself. And we will initially be starting with three states and slowly over a period of time, as the category evolves, we intend spreading it in tandem with Globus somewhere or alternately, it could also fall in tandem with our premiumization journey where we have taken a conscious decision that our super premium category of India Craft Spirit Company will also be available beyond where mainstream consumer business of Globus operates. So both journeys will happen concurrently.</p>

Recent Commentary from Industry Players *(continued)*

Globus Spirits Ltd (AR FY23)	<p>As you know the alcohol industry is moving towards premiumization and consumers are ready to pay a premium for a superior product, we wish to capitalize on this trend and gain market share. The overall Indian consumption story, we believe, will continue to drive strong growth in all markets we operate in. While IMIL caters to a large segment of the Indian population, it is believed that the price point at which consumers buy alcohol will increase and the Indian Alcohol Industry will move towards Premiumization.</p> <p>Companies are focusing on product development and the efforts being aimed either at the top where margins are high or at the base where volumes are high, backed with high growth as well. Your company is confident about its product range and will be focused towards the journey of premiumization by targeting new geographies. Currently, there are plans to enter the Punjab market. The size of the semi-premium whisky segment is almost 50 million cases, whereas premium whisky is almost 15 million cases and super premium whisky is almost 2 million cases annually.</p>
United Breweries Ltd (Q4FY24)	<p>Our volume reflects an 11% increase in the quarter, driven by strong underlying demand. So, it was nice to see such a strong quarter in terms of volume growth. This was also supported by nice growth in premium volumes, which continued to be strong at 21%. And it's also very nice to see the premium volumes continue to accelerate with a 21% growth in the quarter.</p>
United Breweries Ltd (Q3FY24)	<p>Our premium volume continues to be strong. It showed a 14% surge. We saw double-digit growth -- and strong double-digit growth in some of our key premium brands like Ultra Max and we estimate our shares to be sequentially up for the December quarter, even on premium. So, our price mix has improved from 3% to almost 5% based on the work which is happening on the premiumization and the right pricing. I think on the bottle return, of course, when you build a premium brand, you have to increase lot many bottles. But the return percentages on premium are very similar right now.</p>
Allied Blenders and Distillers Ltd (RHP Document)	<p>Backed by our extensive portfolio of offerings across the mass premium segment, we believe, we are well positioned to capitalize on the shift towards premiumization of consumption. On-trade sale has been one of the key drivers of growth and premiumization in Indian alco-beverage industry. Increasing preference for premium food and drink experiences is driving consumption of alco beverages in On-trade channel. The market is set to drive value growth with strong premiumization trends leading to up-trading within the category as well as increasing preference for high value products across price segments.</p> <p>Volume growth in alco beverages including whisky category has tapered to a single digit growth from Fiscal 2013 onwards due to overall regulatory issues and general economic trends. Rising income, growing urbanization, and increasing awareness towards western tastes and trends is driving premiumization. There is a shift in the purpose of consumption of whisky from being a stimulant to recreation and socializing. The industry will leverage the trend towards premiumization to drive value growth.</p> <p>Backed by our extensive portfolio of offerings across the mass premium segment, we believe, we are well positioned to capitalize on the shift towards premiumization of consumption.</p>
Jagajit Industries Ltd (AR FY23)	<p>In view of the future growth potential of the liquor industry in India, the Liquor Market continue to be mirrored by consumer trend towards premiumisation, motivated by rising affluence, globalised outlook, urbanisation and progressive lifestyles.</p>

Exhibit: Income Statement (Consol)

Income Statement						
Y/E Mar, Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	14,303	22,815	24,209	42,731	57,955	67,552
Growth, %	-22.8%	59.5%	6.1%	76.5%	35.6%	16.6%
Other income	429	259	242	630	1,094	1,203
Raw material expenses	3,944	7,621	7,398	13,887	18,777	20,976
Employee expenses	1,408	1,729	1,974	3,806	5,217	5,900
Power and Fuel	3,278	4,711	4,630	10,093	14,579	16,603
Other expenses	3,032	4,138	4,566	6,565	8,564	9,891
EBITDA (Core)	2,641	4,616	5,641	8,380	10,818	14,181
Growth, %	-5.7%	74.7%	22.2%	48.6%	29.1%	31.1%
Margin, %	18.47%	20.23%	23.30%	19.61%	18.67%	20.99%
Depreciation	997	1,263	1,613	2,726	3,784	3,837
Interest paid	281	571	870	2,419	2,854	2,855
Other Income	429	259	242	630	1,094	1,203
Non-recurring Items						
Pre-tax profit	1,793	3,042	3,399	3,865	5,274	8,693
Tax provided	622	554	886	1,007	1,373	2,262
Profit after tax	1,170	2,488	2,513	2,858	3,901	6,431
Growth, %	41.5%	112.5%	1.0%	13.7%	36.5%	64.9%
Wtd avg shares (m)	65	65	65	65	65	65

Exhibit: Balance Sheet (Consol)

Balance Sheet						
As at 31st Mar, Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E
PPE	11,142	13,727	14,859	30,377	25,993	23,056
CWIP	3,040	1,415	524	810	810	810
Financial Assets	370	319	333	1,133	1,079	1,027
Other Non Current Assets	4,411	5,138	5,765	5,768	5,774	5,782
Total Non current Assets	18,995	20,620	21,503	38,576	34,144	31,162
Inventories	3,016	3,276	3,967	9,976	9,993	11,572
Receivables	3,064	3,426	3,207	8,220	8,172	9,167
Cash & CE	586	2,792	3,610	11,312	18,831	26,799
Other Current Assets	7,089	1,037	1,238	2,598	2,475	2,969
Total Current Assets	13,755	10,530	12,023	32,106	39,471	50,506
Total assets	32,795	31,195	33,570	70,726	73,659	81,713
Total Equities	13,921	16,066	18,146	21,977	25,554	31,661
Non current borrowings	8,636	5,623	4,975	29,976	28,976	28,976
Other Non current liabilities	2,753	2,625	2,681	2,842	2,844	2,846
Total Non current liabilities	11,390	8,248	7,657	32,818	31,820	31,822
Current borrowings	2,997	1,692	1,186	1,187	1,188	1,188
Trade Payables	2,174	2,597	4,006	9,673	9,881	11,507
Other Current Liabilities	2,314	2,592	2,575	5,071	5,216	5,534
Total Current Liabilities	7,484	6,881	7,767	15,931	16,285	18,229
Total equity & liabilities	32,795	31,195	33,570	70,726	73,659	81,713

Exhibit: Cash Flow (Consol)

Cash Flow						
Y/E Mar, Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,363	2,782	3,158	3,235	4,180	7,490
Depre & Other Items	804	968	969	2,350	3,504	2,778
Chg in working capital	-4,477	6,371	102	-4,089	499	-1,132
Cash flow from operating activities	-2,310	10,121	4,228	1,495	8,184	9,136
Capital expenditure	4,222	-960	-241	-18,530	600	-900
Other investing activities	-4,020	-693	39	-1,268	55	52
Cash flow from investing activities	202	-1,653	-202	-19,797	655	-848
Free cash flow	-1,135	7,392	4,779	-16,641	10,958	10,409
Equity raised/(repaid)	0	0	0	0	0	0
Debt raised/(repaid)	2,656	-4,318	-1,154	25,001	-1,000	1
Other financing activities	826	-549	-525	1,003	-320	-320
Cash flow from financing activities	3,457	-4,999	-1,597	26,004	-1,320	-319
Net chg in cash	1,349	3,469	2,430	7,702	7,519	7,969
Opening cash balance	234	586	2,792	3,610	11,312	18,831
Closing cash balance	1,583	4,055	5,223	11,312	18,831	26,799

Exhibit: Ratios (Consol)

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
Per Share data						
EPS (INR)	18.1	38.5	38.8	44.2	60.3	99.4
Growth, %	41.47%	112.54%	1.03%	13.71%	36.48%	64.87%
Book NAV/share (INR)	215.2	248.3	280.5	339.7	395.0	489.4
DPS (INR)	5.0	5.0	6.0	5.0	5.0	5.0
Return ratios						
Return on assets (%)	3.57%	7.97%	7.49%	4.04%	5.30%	7.87%
Return on equity (%)	8.41%	15.49%	13.85%	13.00%	15.26%	20.31%
Return on capital employed (%)	8.19%	14.86%	16.55%	11.47%	14.17%	18.19%
Turnover ratios						
Asset turnover (x)	0.4	0.7	0.7	0.6	0.8	0.8
Sales/Working Capital (x)	2.5	26.6	37.5	8.8	13.3	12.3
Receivable days (on Sales)	78.2	54.8	48.4	70.2	51.5	49.5
Inventory days (On Sales)	77.0	52.4	59.8	85.2	62.9	62.5
Payable days (On Sales)	55.5	41.5	60.4	82.6	62.2	62.2
Working capital days	99.7	65.7	47.8	72.8	52.2	49.9
Receivable days (on Sales)	78.2	54.8	48.4	70.2	51.5	49.5
Inventory days (On COGS)	279.2	156.9	195.7	262.2	194.3	201.4
Payable days (On COGS)	201.2	124.4	197.6	254.2	192.1	200.2
Working capital days	156.1	87.3	46.5	78.2	53.6	50.7
Liquidity ratios						
Current ratio (x)	1.8	1.5	1.5	2.0	2.4	2.8
Quick ratio (x) (excl. c&ce)	1.8	1.1	1.1	1.3	1.3	1.3
Interest cover (x)	7.4	6.3	4.9	2.6	2.8	4.0
Dividend cover (x)	3.6	7.7	6.5	8.8	12.1	19.9
Total debt/Equity (%)	0.8	0.5	0.3	1.4	1.2	1.0
Net debt/Equity (%)	0.8	0.3	0.1	0.9	0.4	0.1
Valuation						
PER (x)	39.0	18.3	18.1	16.0	11.7	7.1
PEG (x) - y-o-y growth	41.47%	112.54%	1.03%	13.71%	36.48%	64.87%
Price/Book (x)	3.3	2.8	2.5	2.1	1.8	1.4
EV/Net sales (x)	0.8	0.2	0.1	1.5	0.2	0.0
EV/EBITDA (x)	21.4	10.9	8.5	7.8	5.3	3.5
EV/EBIT (x)	27.3	13.9	11.3	10.4	7.0	4.2

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant Capital Markets 6, Lad Colony, YN Road Indore - 452003, (M.P.) Tel: (+91-731) 4217100/7101

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880