

AGI Greenpac – Q1FY24 Concall KTAs
CMP: INR 496 | Market Cap: INR 32 Bn | Promoter: 60.24%

[Arihant Capital]

Operational Performance:

Revenues came in at INR 5.6 Bn (-17.9% QoQ) (+7.1% YoY)

EBITDA Margins came in at 23.56% (Vs 26% QoQ) (Vs 17.3% YoY)

Planned shutdown:

- The company implemented planned shutdown of its 325 TPD furnace for relining in Q1 because of which the performance was impacted.
- Excluding shut capacity, CU was 90%
- Company lost 25k tonnes production availability due to planned shutdown (equivalent to INR 800 Mn in value)

Performance Metrics:

- Realizations of INR 37-38 per Kg and EBITDA margins of INR 10 per Kg
- 50-60% of customers are on formula based pricing (changes in realizations based on changes in input costs)
- Prices of Soda Ash are falling which will impact realizations as they have to pass the cost benefits. Silica sand cost has not come down yet.
- Interest cost of higher on account of loan for new 154 tonne furnace, ECB exchange fluctuation loss and rising interest rate. At present, cost of debt at 7.75%
- Finance cost to remain in same range (increase of INR 10 Mn expected in Q2)

Value Add:

- Company has started 154tonne per day furnace which is in high end perfume bottles and high end liquor
- Coloured bottles for global players
- Value add glass bottles have 1.7-1.8x realisations of normal bottles (i.e. INR 37/Kg)
- Specialty glass Capacity utilization at 65-70%

Other KTAs:

- Beer bottle is a big part of the portfolio, soft drinks is a smaller portion
- Q1 and Q4 are seasonally strong
- Hindustan Glass acquisition will substantially increase company's capacity. Expectations of deal clearing by Q3
- Net debt levels at INR 5.66 Bn in Q1FY24
- Substantial investments in digitalisation and automation have been made to optimise the operations to improve the efficiency.
- Glass packaging demand arising from beverages, spirits, cosmetics, pharmaceuticals, and gourmet foods
- Many craft distillers & brewers opt for distinctive glass bottles

Industry outlook:

- Alcoholic Beverages: Liquor segment is growing at a CAGR of 8-9%. Beer market is expected to grow at 9-10% between FY2022-27
- Food and Soft drink: FMCG market is expected to grow at 14-15% between 2020-25.
- Cosmetic & Perfume: India Cosmetics Market is expected to grow at a CAGR of 16.39% through FY2026 to reach USD 28.9 Bn. Fragrance market in India is expected to expand at a CAGR of ~15.93%, from its 2019 value of INR 66.58 Bn.

Outlook: Capacity utilization is expected to be at optimum levels which translates to volume growth to be approx. 10% in FY24. Revenue growth of 15-20% expected in FY24. We believe with the acquisition of Hindustan Glassworks, the total capacity will increase significantly for the company. The new facility which went online in Q1 is in specialty products which have higher realisations and the relining of 325tpm furnace is completed as well. As per our understanding, the performance will improve QoQ from here on although keeping in mind the input cost movement. At CMP, the company trades 15.9x TTM EPS of INR 40.08.