

Acquisition to catapult the growth story

CMP: INR 805

Rating: BUY

Target Price: INR 1,734

Stock Info

BSE	500187
NSE	AGI
Bloomberg	AGIG:IN
Sector	Packaging
Face Value (INR)	2
Mkt Cap (INR Mn)	52,094
52w H/L (INR)	1088/607
Avg Daily Volume (in 000')	322

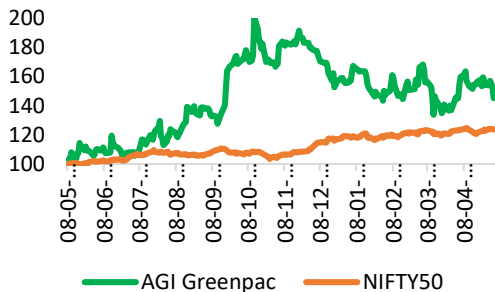
**Shareholding Pattern %
(As on June, 2024)**

Promoters	60.23
Public & Others	39.77

Stock Performance (%) 1m 6m 12m

AGI	6.5	6	30.8
NIFTY	3	15.5	25.8

AGI Vs Nifty



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Overview: Results better than our estimates (after considering 270 TPD furnace shutdown)

Performance (Consol)

- **Revenue** came in at INR 5.66 Bn (-9.37% QoQ) (+1.4% YoY) (-3.08% Vs our estimates)
- **EBITDA** came in at INR 1.36 Bn (-7.96% QoQ) (+3.69% YoY) (+13% Vs our estimates)
- **EBITDA Margins** came in at 24.09% (Vs 23.72% QoQ) (Vs 23.56% YoY) (Vs our estimates of 20.66%)
- **PAT** came in at INR 632.3 Mn (-2.1% QoQ) (-0.4% YoY) (+24.5% Vs our estimates)
- **PAT Margins** came in at 11% (Vs 10.2% QoQ) (Vs 11.2% YoY) (Vs our estimates of 8.6%)

Key triggers:

- **Acquisition:** We continue to remain positive on the acquisition to go through. Management has indicated that the next hearing is in mid of September and completion to be soon.
- **Premiumisation:** All the major alcobev players have maintained their commentary to increase premiumisation. This bodes well for glass manufacturing players.
- **Specialty Unit:** Specialty unit has debottlenecked additional 30 TPD facility which will drive more volumes in specialty unit which ideally should also bring in higher EBITDA per tonne

Outlook: Company aims to grow 10% in volume terms for FY25 (excluding acquisition growth). Next hearing in mid of September, company optimistic of completing the acquisition soon. Utilisation of specialty unit increasing. Relined facilities to come online by August 1st week. Company lost 16,000 tonnes in Q1 due to relining but the facility will be available for usage with additional 80 TPD from August. **We maintain our BUY rating and revise our target to INR 1,734.**

Valuation summary

Y/E Mar, Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	14,303	22,815	24,209	42,383	57,955	68,019
EBIDTA	2,641	4,616	5,641	8,088	10,440	14,208
Net Profit	1,170	2,488	2,513	2,612	3,628	6,459
Diluted EPS	18.1	38.5	38.8	40.4	56.1	99.8
PER, x	44.5	20.9	20.7	19.9	14.4	8.1
EV/EBIDTA, x	23.9	12.3	9.7	8.9	6.1	3.9
P/BV, x	3.7	3.2	2.9	2.4	2.1	1.7
ROE, %	8.4%	15.5%	13.9%	11.9%	14.4%	20.6%
Debt/Equity (x)	0.84	0.46	0.34	1.42	1.20	0.96

AGI Greenpac Q1FY25 Concall highlights**Key highlights of the call:**

Company implemented planned shutdown of its 270 TPD furnace in Q1FY25. No other furnace up for relining for next 3 years.

Relining of the facilities to be completed by August 1st week. Company lost 16,000 tonnes of volumes due to relining facilities in Q1. Since relining took till August 1st week, some volumes will be lost in Q2 as well.

Specialty facility performing well, company has debottlenecked another 30 tpd facility in specialty unit which will aid volumes further.

Overall utilization was 85%, specialty unit utilization stood at 70%

Gross profit per tonne has moved from INR 20,000 to 30,000 between FY21 to FY24, the benefit in EBITDA which was due to debottlenecking will remain but RM related benefits will be passed on

Q1 sales were weak also because of election. Q2 should see better volumes because relined facilities will be available again

On average, a brownfield expansion usually takes 2.5-3 years to commercialize. For greenfield plant, 2 months additional to acquire the land

Company has maintained 10% growth guidance for FY25

Next relining of facility may come in 2028

Alcobev industry growing at 8-9%, some players have moved to plastic. Some segment of plastic is even more expensive than glass.

Even if the Ferozabad belt is performing well, company is not too concerned. This is because of the quality and ESG difference between the two entities.

India uses 50% cullet in manufacturing of glass bottles, USA uses 65% and Europe uses 90%. This is because of poor collection system in India. Furnaces that are present in India can accommodate 90%

Price of cullet and virgin RM is almost the same. Usage of cullet is due to ESG protocols

Roughly the demand in the Indian market is ~11,000 tonnes per day. Actual capacity is much more (which would be non operational). Ferozabad (UPGMS) capacity roughly 2500 TPD.

Realisations are now much more stable.

Net debt increased to INR 4.4 Bn

Outlook: Company aims to grow 10% in volume terms for FY25 (excluding acquisition growth).

Next hearing in mid of September, company optimistic of completing the acquisition soon.

Utilisation of specialty unit increasing. Relined facilities to come online by August 1st week.

Company lost 16,000 tonnes in Q1 due to relining but the facility will be available for usage with additional 80 TPD from August. We maintain our BUY rating and revise our target to INR 1,734.

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	42,383	57,955	68,019
Growth, %	-22.8%	59.5%	6.1%	75.1%	36.7%	17.4%
Other income	429	259	242	639	1,104	1,214
Raw material expenses	3,944	7,621	7,398	13,785	18,867	21,062
Employee expenses	1,408	1,729	1,974	3,852	5,217	5,912
Power and Fuel	3,278	4,711	4,630	9,831	14,579	16,629
Other expenses	3,032	4,138	4,566	6,827	8,852	10,208
EBITDA (Core)	2,641	4,616	5,641	8,088	10,440	14,208
Growth, %	-5.7%	74.7%	22.2%	43.4%	29.1%	36.1%
Margin, %	18.47%	20.23%	23.30%	19.08%	18.01%	20.89%
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	639	1,104	1,214
Non-recurring Items						
Pre-tax profit	1,793	3,042	3,399	3,582	4,905	8,731
Tax provided	622	554	886	969	1,277	2,272
Profit after tax	1,170	2,488	2,513	2,612	3,628	6,459
Growth, %	41.5%	112.5%	1.0%	3.9%	38.9%	78.0%
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	9,923	9,993	11,652
Receivables	3,064	3,426	3,207	8,169	8,172	9,230
Cash & CE	586	2,792	3,610	11,251	18,513	26,431
Other Current Assets	7,089	1,037	1,238	2,598	2,475	2,982
Total Current Assets	13,755	10,530	12,023	31,941	39,154	50,295
Total assets	32,795	31,195	33,570	70,562	73,342	81,502
Total Equities	13,921	16,066	18,146	21,902	25,206	31,342
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	9,619	9,881	11,587
Other Current Liabilities	2,314	2,592	2,575	5,036	5,247	5,564
Total Current Liabilities	7,484	6,881	7,767	15,842	16,316	18,338
Total equity & liabilities	32,795	31,195	33,570	70,562	73,342	81,502

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	2,943	3,801	7,517
Depre & Other Items	804	968	969	2,396	3,610	2,779
Chg in working capital	-4,477	6,371	102	-4,075	516	-1,211
Cash flow from operating activities	-2,310	10,121	4,228	1,264	7,928	9,085
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	-16,897	10,702	10,358
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	1,173	-320	-320
Cash flow from financing activities	3,457	-4,999	-1,597	26,174	-1,320	-319
Net chg in cash	1,349	3,469	2,430	7,641	7,263	7,918
Opening cash balance	234	586	2,792	3,610	11,251	18,513
Closing cash balance	1,583	4,055	5,223	11,251	18,513	26,431

Exhibit: Ratios (Consol)

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
Per Share data						
EPS (INR)	18.1	38.5	38.8	40.4	56.1	99.8
Growth, %	41.47%	112.54%	1.03%	3.95%	38.86%	78.04%
Book NAV/share (INR)	215.2	248.3	280.5	338.5	389.6	484.4
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%	3.70%	4.95%	7.92%
Return on equity (%)	8.41%	15.49%	13.85%	11.93%	14.39%	20.61%
Return on capital employed (%)	8.19%	14.86%	16.55%	10.97%	13.61%	18.34%
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	8.7	13.4	12.3
Receivable days (on Sales)	78.2	54.8	48.4	70.4	51.5	49.5
Inventory days (On Sales)	77.0	52.4	59.8	85.5	62.9	62.5
Payable days (On Sales)	55.5	41.5	60.4	82.8	62.2	62.2
Working capital days	99.7	65.7	47.8	73.0	52.2	49.9
Receivable days (on Sales)	78.2	54.8	48.4	70.4	51.5	49.5
Inventory days (On COGS)	279.2	156.9	195.7	262.8	193.3	201.9
Payable days (On COGS)	201.2	124.4	197.6	254.7	191.2	200.8
Working capital days	156.1	87.3	46.5	78.4	53.6	50.7
Liquidity ratios						
Current ratio (x)	1.8	1.5	1.5	2.0	2.4	2.7
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	2.5	2.7	4.1
Dividend cover (x)	3.6	7.7	6.5	8.1	11.2	20.0
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	0.5	0.1
Valuation						
PER (x)	44.5	20.9	20.7	19.9	14.4	8.1
PEG (x) - y-o-y growth	41.47%	112.54%	1.03%	3.95%	38.86%	78.04%
Price/Book (x)	3.7	3.2	2.9	2.4	2.1	1.7
EV/Net sales (x)	0.8	0.2	0.1	1.7	0.2	0.1
EV/EBITDA (x)	23.9	12.3	9.7	8.9	6.1	3.9
EV/EBIT (x)	30.4	15.7	12.8	12.0	8.2	4.8

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Stock Rating Scale

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%

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