

AGI Greenpac Q2FY24 Concall KTAs

CMP: INR 899 | Market Cap: INR 58.1 Bn | Promoter: 60.24%

Overview: Decent set of results overall, acquisition completion expected in 3-4 months

- **Revenue** came in at INR 6.15 Bn (+10.2% QoQ) (+20.1% YoY)
- **EBITDA** came in at INR 1.34 Bn (+2% QoQ) (+58% YoY)
- **EBITDA Margins** came in at 21.8% (Vs 23.56% QoQ) (Vs 16.57% YoY)
- **PAT** came in at INR 561.4 Mn (-11.6% QoQ) (+65.4% YoY)
- **PAT Margins** came in at 9.1% (Vs 11.2% QoQ) (Vs 6.6% YoY)

Capacity and Capex:

- Current capacity utilisation at 95% (of 1700 tpd)
- The specialty line is running at 60-65% CU (154 tpd)
- No plans for organic growth now before completing inorganic growth
- 1 furnace is coming up for relining next year where company can add 50-100 tpd capacity
- For HNG, company won NCLAT order and case is pending to be admitted by supreme court (2 cases)
- Expect another 3-4 months for completion

Operating & Business Highlights:

- Realisations are seasonal, company aims to generate 21-23% margins
- RM and input prices have softened so benefits had been passed on to clients (more like price adjustments)
- PETs and closures have capacity of generating INR 2.5-3 Bn in topline annually
- Other expenses were higher in the quarter due to legal expenses (litigation costs) which will not be as high in the coming quarters but will continue till the acquisition
- Post acquisition and relining of HNG furnaces, company will be able to generate revenue of INR 55 Bn (in 2-3 years)
- The debt levels will rise to INR 25 Bn in 2-3 years

Other KTAs:

- Unorganised segment is also significant, imports in the country are also decent
- Company has 17-18% market share in organised segment
- Global capacity is 60 Mn tonne which will reach 75 mn tonnes in a few years
- HNG does not have float glass capacity, only container glass
- HNG total output is 2300-2600 tonnes
- Company forayed into export markets such as EU, Canada and South Africa

Outlook & Valuations:

Company aims to deliver 15-18% growth in topline with 21-23% margins. Peak debt levels to rise to INR 25 Bn going forward (post acquisition) and company expects topline to be INR 55 Bn in 2-3 years (considering relining). We have no changes in our estimates, we continue to remain positive on the stock with a BUY rating and target price of INR 2,112. At CMP, company trades 11.5x TTM EV/EBITDA and 20.7x TTM EPS