

CMP: INR 952

Rating: BUY

Target Price: INR 1,784

Stock Info

BSE	500187
NSE	AGI
Bloomberg	AGIG:IN
Reuters	AGI.PS
Sector	Packaging
Face Value (INR)	2
Mkt Cap (INR Bn)	62.05
52w H/L (INR)	1067/610
Avg Yearly Vol (in 000')	224

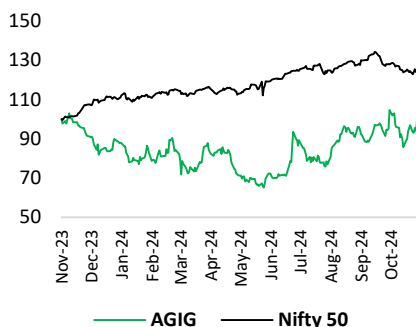
Shareholding Pattern %

(As on Sept, 2024)

Promoters	60.23%
Public & Others	39.77%

Stock Performance (%)	1m	6m	12m
AGIG	-7.7	+35.7	-1.2
Nifty 50	-3.3	+9.2	+24.2

AGIG Vs Nifty 50



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Overview: Strong performance on profitability front (led by improvement in gross margins)

Performance (Consol)

- **Revenue** came in at INR 5.99 Bn (+5.8% QoQ) (-2.6% YoY) (-0.4% Vs our estimates)
- **EBITDA** came in at INR 1.54 Bn (+13.07% QoQ) (+14.97% YoY) (+16.26% Vs our estimates)
- **EBITDA Margins** came in at 25.74% (Vs 24.09% QoQ) (Vs 21.8% YoY) (Vs our estimates of 22.05%)
- **PAT** came in at INR 720.7 Mn (+13.98% QoQ) (+28.38% YoY) (+29.1% Vs our estimates)
- **PAT Margins** came in at 11.8% (Vs 11% QoQ) (Vs 9.1% YoY) (Vs our estimates of 9.2%)

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: Continue to look forward to debottleneck, improve product mix and other spots for improvement. Company expects to deliver similar performance in H2 as well. Maintain guidance of 10% volume growth for FY25. No relining for next 12 months. Court hearings going on for HNG acquisition, next hearing on 13th November. Company doesn't expect any further delays beyond 1-2 days in hearing. **We maintain our BUY rating and revise our target to INR 1,784.**

Valuation summary

Y/E Mar, Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	14,303	22,815	24,209	26,806	58,160	68,230
EBIDTA	2,641	4,616	5,641	5,993	10,573	14,326
Net Profit	1,170	2,488	2,513	3,004	3,914	6,417
Diluted EPS	18.1	38.5	38.8	46.4	60.5	99.2
PER, x	52.6	24.8	24.5	20.5	15.7	9.6
EV/EBIDTA, x	27.5	14.3	11.4	13.5	6.8	4.6
P/BV, x	4.4	3.8	3.4	2.7	2.4	1.9
ROE, %	8.4%	15.5%	13.9%	13.3%	15.0%	19.9%
Debt/Equity (x)	0.84	0.46	0.34	0.76	1.08	1.00

AGI Greenpac Q2FY25 Earnings Conference Call Highlights

[Arihant Capital]

- Plant relining completed in last week in August. Total capacity utilization stood at 93%
- Expand presence in USA, UAE and Europe through exhibitions
- Sun Reach FSE – October 2024 incorporated, to increase exports. UAE wants local presence so opened WOS
- Other expenses trending downwards, there was a lean period where the legal costs were not impacting – due to which legal costs were down (OE was down). May see it come up again as the hearing has started in various courts
- Soda Ash prices have come down but freight cost have gone up so only 2-3% difference in landed cost. Prices are reasonably in control
- Soda Ash – Chinese soda ash down 45% YTD. 1 capacity has come up in inner Mongolia. The price crash local only, hasn't impacted much on global scale
- Globally, seeing a lot of trends of packaging moving to glass (due to sustainability). PET also gaining traction but company doesn't see any bright future for PET. Glass to takeover PET going ahead
- If the furnaces are not maintained over a long period of time, the thickness of refractory lining comes down, this leads to radiation losses which leads to higher energy consumption
- Still a lot of performance to come in specialty glass segment. Utilization consistently increasing
- No Greenfield project on progress. All debottlenecking completed in capacities, no focusing on fuel efficiencies, product quality and productivity.
- Next hearing on Wednesday, should take 1-2 days max in hearings for outcome
- Company has 17-18% electrical energy (power & fuel), trying to increase it to 40%. Thermal energy – company has started to use biofuel, results yet to be seen. Company is shifting from electrical to electrical with better ESG. Delta of benefit is not much but more emphasis to ESG and sustainability
- Happy with performance of October
- HNG's unabsorbed depreciation won't be able to use on consolidated AGI books
- Don't see any cashing out of land on books because it has been given on rent to group company. Land recorded on book value in balance sheet.
- Some alcobev players make their own bottles but when tech upgradation comes, they face tech gaps if they don't upgrade it regularly.
- Not a lot of alcobev players make high grade plastic bottles
- In speciality, on global scale the company is less than 1% market share
- Exports at 5% of total sales
- Net debt stood at INR 3.36 Bn

Outlook: Continue to look forward to debottleneck, improve product mix and other spots for improvement. Company expects to deliver similar performance in H2 as well. Maintain guidance of 10% volume growth for FY25. No relining for next 12 months. Court hearings going on for HNG acquisition, next hearing on 13th November. Company doesn't expect any further delays beyond 1-2 days in hearing. **We maintain our BUY rating and revise our target to INR 1,784.**

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	26,806	58,160	68,230
Growth, %	-22.8%	59.5%	6.1%	10.7%	117.0%	17.3%
Other income	429	259	242	342	1,178	1,295
Raw material expenses	3,944	7,621	7,398	8,351	18,755	20,947
Employee expenses	1,408	1,729	1,974	2,347	5,179	5,872
Power and Fuel	3,278	4,711	4,630	4,897	14,514	16,562
Other expenses	3,032	4,138	4,566	5,219	9,138	10,523
EBITDA (Core)	2,641	4,616	5,641	5,993	10,573	14,326
Growth, %	-5.7%	74.7%	22.2%	6.2%	76.4%	35.5%
Margin, %	18.47%	20.23%	23.30%	22.35%	18.18%	21.00%
Depreciation	997	1,263	1,613	1,730	3,784	3,912
Interest paid	281	571	870	554	2,674	3,035
Other Income	429	259	242	342	1,178	1,295
Non-recurring Items						
Pre-tax profit	1,793	3,042	3,399	4,050	5,292	8,675
Tax provided	622	554	886	1,046	1,378	2,257
Profit after tax	1,170	2,488	2,513	3,004	3,914	6,417
Growth, %	41.5%	112.5%	1.0%	19.5%	30.3%	64.0%
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	24,481
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	32,587
Inventories	3,016	3,276	3,967	9,758	10,023	11,683
Receivables	3,064	3,426	3,207	8,010	8,201	9,258
Cash & CE	586	2,792	3,610	-2,140	17,398	27,850
Other Current Assets	7,089	1,037	1,238	2,598	2,475	2,982
Total Current Assets	13,755	10,530	12,023	18,227	38,098	51,773
Total assets	32,795	31,195	33,570	56,847	72,286	84,405
Total Equities	13,921	16,066	18,146	22,565	26,156	32,249
Non current borrowings	8,636	5,623	4,975	15,976	26,976	30,976
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	18,818	29,820	33,822
Current borrowings	2,997	1,692	1,186	1,187	1,188	1,188
Trade Payables	2,174	2,597	4,006	9,447	9,914	11,621
Other Current Liabilities	2,314	2,592	2,575	4,829	5,209	5,524
Total Current Liabilities	7,484	6,881	7,767	15,464	16,310	18,333
Total equity & liabilities	32,795	31,195	33,570	56,847	72,286	84,405

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	3,708	4,115	7,379
Depre & Other Items	804	968	969	1,026	3,583	2,950
Chg in working capital	-4,477	6,371	102	-4,129	505	-1,210
Cash flow from operating activities	-2,310	10,121	4,228	605	8,203	9,119
Capital expenditure	4,222	-960	-241	-17,533	600	-2,400
Other investing activities	-4,020	-693	39	-1,268	55	52
Cash flow from investing activities	202	-1,653	-202	-18,801	655	-2,348
Free cash flow	-1,135	7,392	4,779	-17,912	10,844	9,025
Equity raised/(repaid)	0	0	0	0	0	0
Debt raised/(repaid)	2,656	-4,318	-1,154	11,001	11,001	4,001
Other financing activities	826	-549	-525	1,445	-320	-320
Cash flow from financing activities	3,457	-4,999	-1,597	12,446	10,680	3,681
Net chg in cash	1,349	3,469	2,430	-5,749	19,538	10,452
Opening cash balance	234	586	2,792	3,610	-2,140	17,398
Closing cash balance	1,583	4,055	5,223	-2,140	17,398	27,850

Exhibit: Ratios (Consol)

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
Per Share data						
EPS (INR)	18.1	38.5	38.8	46.4	60.5	99.2
Growth, %	41.47%	112.54%	1.03%	19.53%	30.29%	63.95%
Book NAV/share (INR)	215.2	248.3	280.5	348.8	404.3	498.5
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%	5.28%	5.41%	7.60%
Return on equity (%)	8.41%	15.49%	13.85%	13.31%	14.96%	19.90%
Return on capital employed (%)	8.19%	14.86%	16.55%	11.13%	14.23%	17.72%
Turnover ratios						
Asset turnover (x)	0.4	0.7	0.7	0.5	0.8	0.8
Sales/Working Capital (x)	2.5	26.6	37.5	5.5	13.3	12.2
Receivable days (on Sales)	78.2	54.8	48.4	109.1	51.5	49.5
Inventory days (On Sales)	77.0	52.4	59.8	132.9	62.9	62.5
Payable days (On Sales)	55.5	41.5	60.4	128.6	62.2	62.2
Working capital days	99.7	65.7	47.8	113.3	52.2	49.9
Receivable days (on Sales)	78.2	54.8	48.4	109.1	51.5	49.5
Inventory days (On COGS)	279.2	156.9	195.7	426.5	195.1	203.6
Payable days (On COGS)	201.2	124.4	197.6	412.9	192.9	202.5
Working capital days	156.1	87.3	46.5	122.6	53.6	50.6
Liquidity ratios						
Current ratio (x)	1.8	1.5	1.5	1.2	2.3	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	8.3	3.0	3.9
Dividend cover (x)	3.6	7.7	6.5	9.3	12.1	19.8
Total debt/Equity (%)	0.8	0.5	0.3	0.8	1.1	1.0
Net debt/Equity (%)	0.8	0.3	0.1	0.9	0.4	0.1
Valuation						
PER (x)	52.6	24.8	24.5	20.5	15.7	9.6
PEG (x) - y-o-y growth	41.47%	112.54%	1.03%	19.53%	30.29%	63.95%
Price/Book (x)	4.4	3.8	3.4	2.7	2.4	1.9
EV/Net sales (x)	0.8	0.2	0.1	3.0	0.2	0.1
EV/EBITDA (x)	27.5	14.3	11.4	13.5	6.8	4.6
EV/EBIT (x)	35.0	18.3	15.0	17.6	9.1	5.6

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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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