

CMP: INR 860

Rating: BUY

Target Price: INR 1,395

Stock Info

BSE	500187
NSE	AGI
Bloomberg	AGIG:IN
Reuters	AGI.PS
Sector	Packaging
Face Value (INR)	2
Mkt Cap (INR Bn)	55.81
52w H/L (INR)	1308/599
Avg yearly Vol (in 000')	276

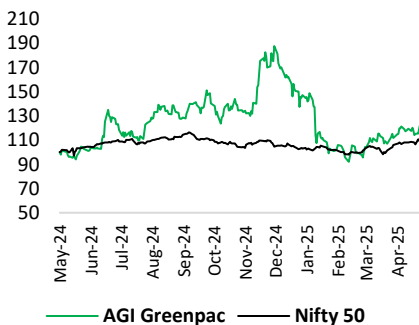
Shareholding Pattern %

(As on Dec, 2024)

Promoters	60.23%
Public & Others	39.77%

Stock Performance (%)	1m	6m	12m
AGIG	+6.05	-9.07	-24.6
Nifty 50	+3.7	+6.4	+5.4

AGIG Vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Ronak Ostwal
Ronak.Ostwal@arihantcapital.com

AGI Greenpac reported subdued consolidated performance in Q4FY25. Revenue stood at INR 7.05 billion, marking a +7% QoQ and +12.8% YoY growth (+4% above our estimates). However, EBITDA declined to INR 1.54 billion, down -8.8% QoQ though up +4% YoY (-11% below our estimates). EBITDA margins contracted to 21.9% (vs. 25.67% in Q3FY25 and 23.72% in Q4FY24), missing our estimate of 25.6%. PAT was reported at INR 966 million, while Adjusted PAT (excluding one-offs) came in at INR 755.7 million, declining -16.5% QoQ but rising +17% YoY (-12% below estimates). PAT margins narrowed to 10.48% (vs. 13.4% QoQ and 10.2% YoY), falling short of our projected 12.63%.

Growth Opportunities in a Changing Market: The glass packaging market in India showed little growth earlier due to low per capita consumption. Now, rising incomes and urbanization are driving demand. AGI Greenpac is well-placed to benefit through capacity expansion, focus on high-margin products, and new market entry, supporting strong future growth.

Strong and Sustainable Margin Profile: AGI consistently delivers healthy gross and EBITDA margins above 20%, underpinned by high-margin segments in cosmetics, perfumery, alcohol, and security caps. Efforts in de-bottlenecking, product-mix optimization, and disciplined cost management—despite fuel-cost pressures—ensure margins remain robust. With new capacity coming online and long-term guidance of 22–25% EBITDA margins, the company is well-positioned to sustain its strong profitability.

Geographic Expansion and Export Potential: The establishment of Sun Reach Pack (FZE) in the UAE positions AGI to tap into global markets, diversify revenue streams, and reduce reliance on domestic demand. This aligns with India's export push in manufacturing and leverages the company's cost-efficient production capabilities.

Outlook: Company faces near-term margin headwinds due to cost inflation and operational challenges. However, its leadership in premium/sustainable packaging, capacity expansion (500 TPD plant), and export push via UAE subsidiary position it to capitalize on long-term demand growth in India and global markets. Strategic focus on high-margin specialty glass and cost optimization could drive margin recovery. **We maintain our BUY rating and revise our target price to INR 1,395 derived from combination of DCF model and PE ratio.**

Valuation summary							
Y/E Mar, Rs mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	14,303	22,815	24,209	25,288	29,423	30,981	36,558
EBIDTA	2,641	4,616	5,641	6,139	7,582	7,940	9,871
Net Profit	1,170	2,488	2,513	3,224	4,336	4,477	5,589
Diluted EPS	18.1	38.5	38.8	49.8	67.0	69.2	86.4
PER, x	43.6	20.5	20.3	15.8	11.8	11.4	9.1
EV/EBIDTA, x	23.5	12.0	9.5	8.6	6.5	5.9	4.1
P/BV, x	3.7	3.2	2.8	2.4	2.0	1.7	1.5
ROE, %	8.4%	15.5%	13.9%	15.4%	17.4%	15.4%	16.2%
Debt/Equity (x)	0.84	0.46	0.34	0.26	0.32	0.36	0.30

AGI Greenpac Q4FY25 Concall Highlights

- Current capacity utilization exceeds 95%. A new 500-tonne/day plant in Madhya Pradesh (25% capacity increase) is approved, targeting Northern/Central India markets, expected by FY27
- De-bottlenecking initiatives improved production. Focus on high-margin segments like cosmetics, perfumery, alcohol, and security caps
- INR 210 Mn Telangana state subsidy recognized in Q4; such subsidies are business-linked but not guaranteed annually
- Q4 gross margins dipped to 21% (vs. 25%+ earlier) due to higher fuel costs. Long-term EBITDA margins guided at 22-25%
- India's per capita glass consumption (1.8kg) is low vs. global peers (e.g., USA: 36kg), indicating growth potential tied to GDP rise
- FY25 saw high litigation expenses, but FY26 costs may reduce pending Supreme Court order outcomes
- No material changes in working Capital; minor fluctuations in receivables/payables are year-end effects
- Exploring organic/inorganic growth opportunities, including potential UAE market expansion
- Soda ash prices stabilized after volatility; fuel costs remain a margin sensitivity factor
- FY26 revenue growth expected at 8-10%, with stable margins
- Geopolitical issues (e.g., trade tensions) and raw material price swings could impact performance
- The company has been using strong cash flows to reduce debt, improving its financial stability
- Potential Free Trade Agreements (FTAs) with the UK and USA could boost glass packaging demand for exports
- Currently, 20-23% of revenue comes from high-margin value-added products, with plans to increase this share
- HNG's furnace shutdown in North India did not significantly benefit AGI Greenpac, as demand was absorbed by other regional players
- Glass pricing adjusts with raw material costs (like soda ash) with a slight lag, keeping margins range-bound.
- The Madhya Pradesh plant is receiving state support, but specifics on subsidies/tax benefits remain undisclosed
- Glass consumption in India is expected to grow at ~0.9x GDP growth, driven by rising incomes and urbanization
- Working with global technical teams to optimize furnace performance and output
- The Madhya Pradesh expansion is on track, with orders for critical equipment nearing finalization

Outlook: Continue to look forward to debottleneck, improve product mix and other spots for improvement. With supportive industry tailwinds, the company anticipates sustaining its current performance momentum, maintaining its FY26 revenue growth guidance of 10%. Court hearings going on for HNG acquisition, the company expects verdict to be out soon. **We maintain our BUY rating and revise our target to INR 1,395.**

Exhibit: Income Statement (Consol)

Income Statement							
Y/E Mar, Rs mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	14,303	22,815	24,209	25,288	29,423	30,981	36,558
Growth, %	-22.8%	59.5%	6.1%	4.5%	16.4%	5.3%	18.0%
Other income	429	259	242	748	823	905	995
Raw material expenses	3,944	7,621	7,398	7,540	8,197	8,510	10,163
Gross Margin %	72.43%	66.60%	69.44%	70.18%	72.14%	72.53%	72.20%
Employee expenses	1,408	1,729	1,974	2,175	2,623	2,736	3,268
Power and Fuel	3,278	4,711	4,630	4,678	5,789	6,040	7,213
Other expenses	3,032	4,138	4,566	4,756	5,232	5,755	6,043
EBITDA (Core)	2,641	4,616	5,641	6,139	7,582	7,940	9,871
Growth, %	-5.7%	74.7%	22.2%	8.8%	23.5%	4.7%	24.3%
Margin, %	18.47%	20.23%	23.30%	24.28%	25.77%	25.63%	27.00%
Depreciation	997	1,263	1,613	1,772	1,824	1,852	2,370
Interest paid	281	571	870	847	717	938	938
Other Income	429	259	242	748	823	905	995
Non-recurring Items							
Pre-tax profit	1,793	3,042	3,399	4,268	5,864	6,055	7,558
Tax provided	622	554	886	1,044	1,528	1,578	1,970
Profit after tax	1,170	2,488	2,513	3,224	4,336	4,477	5,589
Growth, %	41.5%	112.5%	1.0%	28.3%	34.5%	3.3%	24.8%
Wtd avg shares (m)	65	65	65	65	65	65	65

Exhibit: Balance Sheet (Consol)

Balance Sheet							
As at 31st Mar, Rs mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PPE	11,142	13,727	14,859	15,527	14,103	12,652	17,682
CWIP	3,040	1,415	524	1,032	4,532	8,032	1,032
Financial Assets	370	319	333	336	320	305	291
Other Non Current Assets	4,411	5,138	5,765	5,321	5,321	5,321	5,321
Total Non current Assets	18,995	20,620	21,503	22,242	24,302	26,336	24,326
Inventories	3,016	3,276	3,967	3,990	4,353	4,499	5,509
Receivables	3,064	3,426	3,207	3,964	4,111	4,159	4,808
Cash & CE	586	2,792	3,610	3,637	9,468	14,265	21,218
Other Current Assets	7,089	1,037	1,238	1,086	988	1,013	1,048
Total Current Assets	13,755	10,530	12,023	12,677	18,920	23,936	32,582
Total assets	32,795	31,195	33,570	34,962	43,266	50,316	56,952
Total Equities	13,921	16,066	18,146	20,978	24,990	29,143	34,409
Non current borrowings	8,636	5,623	4,975	3,785	6,235	8,685	8,685
Other Non current liabilities	2,753	2,625	2,681	2,767	2,768	2,770	2,772
Total Non current liabilities	11,390	8,248	7,657	6,552	9,004	11,455	11,457
Current borrowings	2,997	1,692	1,186	1,743	1,745	1,747	1,749
Trade Payables	2,174	2,597	4,006	3,544	4,675	5,008	5,809
Other Current Liabilities	2,314	2,592	2,575	2,146	2,852	2,962	3,528
Total Current Liabilities	7,484	6,881	7,767	7,433	9,273	9,717	11,086
Total equity & liabilities	32,795	31,195	33,570	34,962	43,266	50,316	56,952

Exhibit: Cash Flow (Consol)

Cash Flow							
Y/E Mar, Rs mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	1,363	2,782	3,158	3,520	5,041	5,150	6,563
Depre & Other Items	804	968	969	1,476	1,118	1,179	1,395
Chg in working capital	-4,477	6,371	102	-881	1,426	223	-326
Cash flow from operating activities	-2,310	10,121	4,228	4,115	7,585	6,552	7,632
Capital expenditure	3,225	-2,223	-1,854	-2,948	-3,900	-3,900	-400
Other investing activities	-4,020	-693	39	39	16	15	40
Cash flow from investing activities	-795	-2,915	-1,815	-2,908	-3,884	-3,885	-360
Free cash flow	-2,133	6,130	3,166	1,766	4,234	3,362	7,968
Equity raised/(repaid)	0	0	0	0	0	0	0
Debt raised/(repaid)	2,656	-4,318	-1,154	-634	2,452	2,452	2
Other financing activities	826	-549	-525	-622	-322	-322	-322
Cash flow from financing activities	3,457	-4,999	-1,597	-1,179	2,130	2,130	-319
Net chg in cash	352	2,206	817	27	5,831	4,797	6,953
Opening cash balance	234	586	2,792	3,610	3,637	9,468	14,265
Closing cash balance	586	2,792	3,610	3,637	9,468	14,265	21,218

Exhibit: Ratios (Consol)

Ratios	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Per Share data							
EPS (INR)	18.1	38.5	38.8	49.8	67.0	69.2	86.4
Growth, %	41.47%	112.54%	1.03%	28.29%	34.48%	3.25%	24.83%
Book NAV/share (INR)	215.2	248.3	280.5	324.2	386.3	450.5	531.8
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%	9.22%	10.02%	8.90%	9.81%
Return on equity (%)	8.41%	15.49%	13.85%	15.37%	17.35%	15.36%	16.24%
Return on capital employed (%)	8.19%	14.86%	16.55%	18.58%	19.36%	17.22%	18.53%
Turnover ratios							
Asset turnover (x)	0.4	0.7	0.7	0.7	0.7	0.6	0.6
Sales/Working Capital (x)	2.5	26.6	37.5	15.7	164.3	(670.2)	131.6
Receivable days (on Sales)	78.2	54.8	48.4	57.2	51.0	49.0	48.0
Inventory days (On Sales)	77.0	52.4	59.8	57.6	54.0	53.0	55.0
Payable days (On Sales)	55.5	41.5	60.4	51.2	58.0	59.0	58.0
Working capital days	99.7	65.7	47.8	63.6	47.0	43.0	45.0
Receivable days (on Sales)	78.2	54.8	48.4	57.2	51.0	49.0	48.0
Inventory days (On COGS)	279.2	156.9	195.7	193.1	193.8	192.9	197.8
Payable days (On COGS)	201.2	124.4	197.6	171.6	208.2	214.8	208.6
Working capital days	156.1	87.3	46.5	78.8	36.6	27.2	37.2
Liquidity ratios							
Current ratio (x)	1.8	1.5	1.5	1.7	2.0	2.5	2.9
Quick ratio (x) (excl. c&ce)	1.8	1.1	1.1	1.2	1.0	1.0	1.0
Interest cover (x)	7.4	6.3	4.9	6.0	9.2	7.5	9.1
Dividend cover (x)	3.6	7.7	6.5	10.0	13.4	13.8	17.3
Total debt/Equity (%)	0.8	0.5	0.3	0.3	0.3	0.4	0.3
Net debt/Equity (%)	0.8	0.3	0.1	0.1	(0.1)	(0.1)	(0.3)
Valuation							
PER (x)	43.6	20.5	20.3	15.8	11.8	11.4	9.1
PEG (x) - y-o-y growth	41.47%	112.54%	1.03%	28.29%	34.48%	3.25%	24.83%
Price/Book (x)	3.7	3.2	2.8	2.4	2.0	1.7	1.5
EV/Net sales (x)	0.8	0.2	0.1	2.1	(0.1)	(0.1)	(0.3)
EV/EBITDA (x)	23.5	12.0	9.5	8.6	6.5	5.9	4.1
EV/EBIT (x)	29.9	15.4	12.5	10.3	7.5	6.7	4.7

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	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100/101 CIN: L66120MP1992PLC007182

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

Arihant Capital Markets Ltd.

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

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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