

NEAPS/BSE ONLINE

28th July, 2025

The Corporate Relationship Department

BSE Limited

Phiroze Jeejeebhoy Towers,
1st Floor, New Trading Ring,
Rotunda, Dalal Street,
Mumbai - 400 001
(BSE Scrip Code: 500187)

Listing Department

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor,
Plot No. C-1, G-Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051
(NSE Symbol: AGI)

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call held on 22nd July, 2025

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Conference Call held on Tuesday, 22nd July, 2025 for discussion on the financial results of the Company for the first quarter ended 30th June, 2025.

The transcript will also be made available on the website of the Company i.e. www.agigreenpac.com.

You are requested to take the above information on your record.

For **AGI Greenpac Limited**

(Ompal)

Company Secretary & Compliance Officer

Address: 301-302, 3rd Floor, Park Centra, Sector-30, Gurugram-122001

Membership No.: A30926

Encl.: As above

AGI Greenpac Ltd

Corporate Office: 301-302, 3rd Floor, Park Centra, Sector-30, NH 8, Gurugram, Haryana-122 001, India. T: +91 124 477 9200

Registered Office: 2, Red Cross Place, Kolkata-700001, West Bengal, India. T: +91 33-22487407/5668 hsilinvestors@hsilgroup.com | www.agigreenpac.com
| CIN: L51433WB1960PLC024539

AGI glaspac Office: Glass Factory Road, Off Motinagar, Borabanda, Hyderabad-500018, India. T: + (91) 40-2383 1771(5lines), M: agi@agi-glaspac.com

AGI Plastek Office: AGI glaspac Premises, Glass Factory Road, Off Motinagar, Borabanda, Hyderabad-500018, India. T: +91 40-2383 1771(5lines), M: sales@gpoly.in

AGI CloZures Office: Sy.No.208 to 218, Sitarampur, Isnapur, Patancheru, Telangana- 502307, India. T: +91-8455-225511, M: info@agiclozures.com



“AGI Greenpac Limited
Q1 FY '26 Earnings Conference Call”
July 22, 2025



MANAGEMENT: **MR. RAJESH KHOSLA – PRESIDENT AND CHIEF
EXECUTIVE OFFICER – AGI GREENPAC LIMITED**
**MR. OM PRAKASH PANDEY – CHIEF FINANCIAL
OFFICER – AGI GREENPAC LIMITED**
**MR. SANDEEP SIKKA – GROUP CHIEF FINANCIAL
OFFICER**

MODERATOR: **MR. AKHILESH KUMAR - EMKAY GLOBAL FINANCIAL
SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to AGI Greenpac Limited Q1 and FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Akhilesh Kumar from Emkay Global Financial Services. Thank you, and over to you, sir.

Akhilesh Kumar: Thank you, Amshat. Good evening, everyone. Thank you all for joining in the Q1 FY '26 Earnings Call of AGI Greenpac. We have with us today Mr. Rajesh Khosla, President and CEO; Mr. Om Prakash Pandey, CFO; and Mr. Sandeep Sikka, Group CFO. So without any further ado, I now hand over the call to the management for their opening remarks. Over to you, sir.

Om Prakash Pandey: Good evening, everyone, and welcome to AGI Greenpac Q1 FY26 Earnings Call. We have already circulated our “Earnings Presentation” which is available on our website and on the Stock Exchange website.

Kindly note that some remarks or observations made during today's call might be forward-looking. These may include, but are not limited to, financial projections or statements regarding the company's plans, objectives, expectations, or intentions. The company does not have any obligation to revise these forward-looking statements to reflect any future events or developments. For a comprehensive disclaimer, please refer to Slide No. 2 of the Earning Presentation.

Now, let's turn to our performance for the first quarter of FY26, where your company delivered a truly robust quarter. Total Income increased by 25% year-on-year to ₹721 crore, compared to ₹577 crore in Q1 FY25. Net Profit surged by an impressive 41% year-on-year to ₹89 crore, up from ₹63 crore in the same period last year. EBITDA for Q1 FY26 stood at ₹176 crore, marking a strong 20% increase from ₹147 crore in Q1 FY25.

We achieved this exceptional performance through disciplined execution and improved operational efficiencies across the board. Our commitment to delivering proactive and innovative packaging solutions has also been key, enabling us to solidify our market position and forge even stronger client relationships. A major contributor to our enhanced profitability is the successful elevation of our product mix, now including more premium, higher-margin segments such as cosmetics, perfumery, and alcohol.

Regarding our current financial standing, as of June 30, 2025, our gross debt was ₹470 crore with a healthy cash balance of ₹263 crore, resulting in a net debt of ₹207 crore. We have already demonstrated our commitment to financial prudence by prepaying ₹193.5 crore of term loans in July 2025, a move that has significantly strengthened our balance sheet. This proactive approach to debt management and our strategic investments, including a ₹700 crore glass expansion (increasing capacity by 25%) and a ₹1,000 crore highly strategic investment in aluminum cans, are set to drive long-term growth for the next 10-15 years, capitalizing on the high-growth liquid packaging market and rising GDP per capita.

Now, I will hand over the call to Mr. Khosla to take you through some of the “Key Business Highlights.” Over to Mr. Khosla.

Rajesh Khosla:

Thank you, Mr. Pandey. Good evening, everyone, and thank you for joining us. I am thrilled to begin by sharing some great news. AGI Greenpac Limited has been honored with the Sustainable Organization of the Award 2025 by UBS Forum. Adding to this, our Specialty Glass unit has also achieved the prestigious ISO 50001 Energy Management System certificate. This significant recognition truly underscores our deep commitment to responsible operations and environmental stewardship, which remains a core value at AGI Greenpac.

Turning to our operational performance and future outlook. We are currently operating at over 95% capacity utilization across our existing plants. A testament to robust market demand for FY26, we project a year-on-year growth of 8% to 10%.

Looking further ahead, once our new capital expenditure project comes online, we anticipate a significant acceleration in our growth trajectory, targeting sustained year-on-year growth of 15% to 20% from FY '27 onwards. This translates to a strategic aim of doubling our top line every 4 years, reflecting our strong confidence in our planned expansion.

In a significant leap towards the future growth, our Board has approved AGI's strategic entry into rapidly expanding aluminium cans segment. The new product category perfectly complements our existing packaging solution and directly leveraging our strong customer relationships, allowing us to offer an even broader and even comprehensive range of products.

We are investing approximately INR 1,000 crores in two phases for a new cutting-edge manufacturing plant in Uttar Pradesh. We expect this state-of-the-art facility to be operational by Q3 FY '28, initially producing 950 million aluminium cans, expanding to 1.6 billion cans by FY 2030.

This expansion incorporates the latest technology to ensure superior quality and efficiency from day 1. This new venture is an addition to the 500-ton daily capacity glass manufacturing plant we announced for Madhya Pradesh in March 2025 to significantly strengthen our ability to serve the Northern and Central India market. This new plant will boost our overall production capacity by approximately 25%, underscoring our commitment to capturing emerging market opportunities.

We believe AGI is incredibly well positioned for continued growth and success as we meet the evolving demand of our industry. Now we would like to open the call for any questions you may have. Thank you.

Moderator:

The first question is from the line of Balasubramanian from Arihant Capital.

Balasubramanian:

Sir, my first question regarding aluminium cans INR 1,000 crores plus investments. How this capex will be funded? And secondly, like what is the raw material sourcing strategy for aluminium can product line, whether it is sourced domestically or it is imported? And is there any long-term supply agreements in place? This is my first question.

- Sandeep Sikka:** I will take the first part and then request Rajesh to address to the second part. We will fund it with a mix of internal accruals and the long-term debt. We expect to start with around 60% long term debt, but depending on how much cash we generate, we may prepay some of the loans later on. But as a philosophy, we fund long-term investments with a long-term matching position on the debt side.
- So to start with, it's a mix of debt and internal accruals. And as a part of the process, we may raise some equity over a period of time as the projects are getting more nearer to the closer. Rajesh, I would request if you can take it on the aluminium side, the sourcing and other.
- Rajesh Khosla:** Okay. You are asking on the raw material supply side. So this is the aluminium coils which are being used. They have a very special grade which is called 3104 specification. Currently, we can buy from Novelis, which is a part of Hindalco Group. Novelis, we can buy from U.S.A., we can buy from South Korea or we can buy even there is a company called UACJ in Thailand. And even Hindalco India has started producing.
- We understand for the market, it is not yet stabilized to the maximum quality norms. But I think so within next 1 year or so, Hindalco India will also be available to supply these coils. So we have enough opportunity to buy these aluminium coils from all these sources. None of the above, there is also China, which is a great producer of these aluminium coils, but we don't have any plan to buy from China right now. We have a plan to buy from Novelis, South Korea or maybe Thailand.
- Balasubramanian:** Sir, what is the asset turn in this business, sir?
- Sandeep Sikka:** You're talking about the asset turnover?
- Balasubramanian:** Yes, sir.
- Rajesh Khosla:** Okay, so it is approximately then it will be full-fledged with 1.6 billion tons of capacity. So approximate it is around INR 1,250 crores will be the turnover which is going to come from this business with the full Phase 1 plus Phase 2 put together.
- Balasubramanian:** Okay, sir. Sir, my second question regarding average realization per ton for glass packaging and specialized packaging products and how the trends are recently there?
- Rajesh Khosla:** Sir, we do not mention the average price realization per metric ton, but I can say that the realization per ton is stable as compared to last few quarters.
- Om Prakash Pandey:** And there is an improvement in the specialty glass business.
- Balasubramanian:** Say again.
- Om Prakash Pandey:** There's an improvement in the realization in the specialty glass business.
- Rajesh Khosla:** Yes, of course. That is a product mix which is happening and. But otherwise, segment by segment, so it is more or less stable.

Balasubramanian: Okay, sir. And sir, how does the 500 tons per day greenfield plant, it's almost 25% capacity addition. How this address competition from cheaper imports?

Rajesh Khosla: I don't think so there is any cheaper imports which are coming from China or any other sources. Glass container is an area which is quite sensitive to the imports or to the freight rates. So there is a very small quantity which is coming as an import. So everything is being going to be, I would say, served from the local market. So we do not worry and we do not care much about the import part. So whatever is the imports which are coming in this country in this particular category of the glass, I hope those all will be over once our capacity is there on stream.

Moderator: The next question is from the line of Subrata Sarkar from Mount Intra.

Subrata Sarkar: So sir, my question is more on the margin side. So I need to understand a little bit like both ways. One is like if we compare like year-on-year, our margin has come down. So the reason behind that, if you can explain?

And sir, I would also like to go back a little back, like if I go 4, 5 years back, we used to operate at a much, much lower margin. But from that, our margin has gradually increased and reached from, let's say, 12%, 13% to 24%, 25%. And now in this quarter, it has come down to, let's say, 21%.

So if you can highlight both sides, why we had experienced such an improvement in the margin over the last 4, 5 years. And then like on a year-on-year basis and on a quarter-on-quarter basis, margin is gradually coming down. So if you can explain that a little bit.

Rajesh Khosla: Okay. If I see the margins, particularly the EBITDA margins on year-on-year or I can say, quarter-on-quarter. So there may be a small fluctuation here and there, a few percentage points like 1%, 1.5%. It is basically because cost and prices, they do not run just parallel. So there is a lot of time lag between these two. And it is not possible that for every increase or decrease in the prices, we go to the market and we settle the same. So we are not operating on like LME-based system or something like that. So that is one part.

Secondly, you asked after the COVID time, there has been quite an increase or a better our operational margins and everything is there. Yes, because a lot of work has been done on the operational efficiency, whether it is on, I can say, on the production side where we have debottlenecked a lot of production capacities and achieved some economy of scale part. We have reduced on the energy consumption part. We have done a lot of things on the automation side. So all those efforts, they have resulted in achieving some level of there.

But of course, at those heights, there are some sort of a small fluctuation turbulence where some few percentages come, sometimes they go up, sometimes they go down. But more or less, if we talk about some particular band, so everything is operating within the band we have been talking all throughout in our discussions in our earlier quarters also.

Subrata Sarkar: So what is our like stable state margin, sir? I understand it can fluctuate both up and down both sides. But what is our like stable state operating margin kind of a band?

- Rajesh Khosla:** I think whatever margins we have been getting right now, they are more or less stable. I think they are close to 25% and they are very stable. So as per all the reports which are available with me, they are more or less close to that. Sometimes it is 25.4%, sometime it is 25.7%, sometime it is 24.9% also. So everything is falling within the band. And also, it all depends upon the product mix also.
- And some of the products, they are very highly seasonal. So like, for example, particular like beer industry, they are very high in the quarter like January, February, March or April, May, June, and the food maybe in some other segments. So all those segments or all those product mix, they try to change quarter-on-quarter earnings because of that. But overall, our margins and the market, they are reasonably stable, but always in a band. We cannot have a line, but it is in a band.
- Subrata Sarkar:** Okay. Sir, just last question to understand a little bit more from our perspective. Is it like EBITDA per ton is the right metric to track? Or what is the metric for us to track to understand it better? Or percentage margin is better?
- Rajesh Khosla:** Sir, you can track on the data, whatever is available in the balance sheet.
- Subrata Sarkar:** Yes, sir. I got it, sir. So that's what I'm asking, sir. So percentage margin is the right way to look into it?
- Rajesh Khosla:** Sir, unfortunately, the total EBITDA margins or PBT is there. But since the quantities are not being mentioned, so it may not be possible to evaluate EBITDA per ton of that. And we are also not disclosing EBITDA per ton of that. So what I'm discussing from my side is, we see our reports and they are more or less stable in a band.
- Moderator:** The next question is from the line of Parikshit Gupta from Fair Value Capital.
- Parikshit Gupta:** Congratulations on a great set of results. My first question, on the aluminium cans business. Can you tell me, what is the steady state EBITDA margin that you're expecting from this business?
- Rajesh Khosla:** Okay. See, since we are not in this business as-on-date, and we can only refer to the reports and results which are publicly available of all the other can manufacturers, so from there, I can pick it up that the EBITDA margins and other margins, they will be close to whatever we have been getting in the glass segment, maybe a little less, maybe a little more. It all depends upon so many more factors, but they will be close to that.
- Parikshit Gupta:** Okay. What about gross margins then, okay? EBITDA, we understand might be a little volatile also. But what about gross?
- Sandeep Sikka:** If you see in an aluminium cans, the input raw material, aluminium and other paint costs forms a substantial part. Unlike in glass, actually wherein we do the delta value addition in terms of energy. Aluminium can is not that energy intensive. We feel on a stable state, around 35% to 36% gross margin. And EBITDA margin upon full stabilization, ranging around 17% to 19%.

The rest is the delta of around 15%, 16% is the other costs, which are relating to logistics or some other elements of cost. But the gross margin expectation is somewhere around 35% to 36%, and EBITDA margin ranging around 17% to 19%.

Rajesh Khosla: And they are as per the industry norms, global industry norms, I can say.

Sandeep Sikka: Other producers are also achieving the similar stuff.

Parikshit Gupta: Understood. This is helpful. And what about the competitive landscape in India currently? Can you please tell me a little bit about that?

Rajesh Khosla: Yes. So one is from the demand side and one is from the supply side. If you're talking from the competitor scope of that, there are only two competitors as on today. So one is CANPACK and the second one is Ball. So CANPACK and Ball are there, and CANPACK and Ball both are the America-based companies and they are operating. So both the companies have 2, 2 plants each in India. We will be the new one which are going to enter.

Parikshit Gupta: And on the capacity front, as compared with our 1.6 billion cans annual aspiration, how much would they be currently at?

Rajesh Khosla: Right now, the demand and supply is balanced at 3.5 billion cans as on today. But there are some expansions which has been announced by both the parties. 600 million cans have been announced by Ball and 1 billion cans have been announced by CANPACK. So our will be 1.3 billion, but in two phases.

The first phase will be close to 900 million, and second phase will be then 0.6 billion. So all put together will be close to 1.6 billion or 1.5 billion, 1.6 billion something. So I think the India market will be growing very, very fast, and such capacities will be absorbed easily in that. I think so we need much more capacities in the times to come.

Parikshit Gupta: Understood. My another question before I get back into the queue. What was the share of exports in the first quarter? When we spoke earlier in the previous quarters, we mentioned that the aspiration is to increase the overall share to about 15%. Is there any change in that target? And how close are we to achieving it?

Rajesh Khosla: Okay. One is an aspirational number of 15% stands still like that. But we are not going to export at the cost of our margins or at the cost of domestic. So our priority is, if at all, we are getting a healthy margin from the domestic players or the domestic customers, it is our first choice to supply to them rather than exporting.

But looking to the overall condition, 15% export target, we're still there, and we like to achieve in the times to come that looks to be a reasonable one. Right now, we are less than 10%. Same like last quarter, I can say like that. We are operating at the similar lines. So we have a wider and a bigger scope in specialized glass and a lesser scope in commercial glass.

But within the commercial, there are further some sub segments are there, which can have a chance of exporting in a big way. But right now, we are well occupied. Our capacity utilization

is more than 95%. We are selling whatever we are producing. So it is not a pressure on us to export just for the sake of exporting.

Sandeep Sikka: I think to add to what Rajesh said is on 154 ton specialty glass, the focus there is also on the exports. Rajesh, if you can extrapolate that for the market, I think that will be helpful.

Rajesh Khosla: Okay. In our specialized glass segment, so obviously, there is a big thrust on the export side. And right now, I can say we are exporting close to around 10%, 11% on the export side. And soon, we will be achieving 15% to 20% of the target of the exports soon in the specialized glass segment.

Parikshit Gupta: Understood. Just one follow-up on it, please. So can we consider the HNG case to be not subjudice now? Because I have a question on that.

Sandeep Sikka: It's still in the court. And ideally, I think the Supreme Court judgment is there. We had filed for a review, which the decision is still against us. They have given it to the second largest bidder, but matching our bid plus some other conditions, which is there in the review order of the Supreme Court. Since, the matter is still prejudiced and it's before the NCLT Kolkata, so I'd still like to avoid it at this juncture.

Moderator: The next question is from the line of Maitri Shah from Sapphire Capital.

Maitri Shah: Previously, you mentioned that our guidance for FY '27 onwards is 15% to 20% growth. So that will be post FY '27, is that correct?

Sandeep Sikka: If you see right now, we have a production facility, a subset of a production facility. We have been giving that we should be able to grow with debottlenecking of the existing facilities, using better product mix, using higher capacity utilization, enhancing on the other products like security caps and closure. There are plus number of other initiatives. We are adding some more lines wherein we can do more value-added products.

From the existing operations, we feel 8% to 10% growth momentum, which is there, which we should be able to maintain over next 2 to 3 years till we have a new greenfield 500 ton plant in the state of Madhya Pradesh. And also within the 6 months of that, the first phase of the production with 950 million aluminium cans for the liquid packaging, that will also come through. After all this, it's a growth on both the sales and the underlying EBITDA and the profitability and more cash generation.

And we'll continue to keep investing into these businesses so that we achieve the size and scale. And overall guidance which we have given now is that in a span of 5 to 6 years, we should be able to grow almost 2.5x of what we are currently when we consider a base of FY '25.

Maitri Shah: Okay. And the margins you said will be in the range of 25%, 24% to 25%.

Sandeep Sikka: Yes.

Maitri Shah: And once the aluminium cans come in, those margins are much lower than that of glass. So what sort of blended margins will we have post FY '28?

- Sandeep Sikka:** So right now, till existing operations are there, we have disclosed EBITDA margin ranging around 23%, to 25%. The guidance on the stabilized margins on aluminium cans, we have stated like it's in the range of 17% to 19%. We feel that we should be able to do 1.2x the investments which we do in cans. You can use a mix of that and drive actually, but it should be in a range of somewhere around 22% to 23%.
- Maitri Shah:** And this 1.6 billion cans will be completely optimum utilization by FY '29 or by FY '30?
- Sandeep Sikka:** In this industry, when you have a 1.6 billion can capacity, that's installed capacity. But there is lower utilisation of the facility. There are product mix changes because of the sizes of cans are also different. Industry is able to take an output of ranging 85% to 89% capacity utilization on account of maintenance days, the change mix in the change of the punching lines and other stuff. The equivalent production, the saleable production out of this should be somewhere ranging 1.35 billion cans against 1.6 billion can capacity.
- Maitri Shah:** We'll be targeting that utilization by FY'30?
- Sandeep Sikka:** No. The first phase with 950 million, what we are doing is the whole paraphernalia of the plant including utilities, we are building in line with 1.6 with an installed capacity of 1.6 billion cans. But in the first phase, the machineries would have an installed capacity of 950 million cans. And then we'll wait for another year or so and then add additional 650 million can capacity. By March 30, we are ready with the whole 1.6 billion can capacity. The turnover will start flowing in from the aluminium can from Q3 of FY '27 or FY '28.
- Moderator:** The next question is from the line of Kautuk Yemdey from Axanoun Investments.
- Kautuk Yemdey:** Sir, first of all, congratulations for a great set of numbers. I just wanted to ask like what was the rationale behind going into the aluminum can segment? What are the synergies that you expect? And having said that, how do you plan to acquire customers? Are you planning to sell cans to your existing customers that take orders from you? Or are you planning to acquire new customers all the same?
- Rajesh Khosla:** Let me answer. Both cans as well as glass, they fall under rigid packaging category. So the customers are more or less same. There are some set of customers who are into glass only, and there are subset of customers who are into cans only. But majority of the customers, they fall into glass and can. So we may not have any problem, and that is one of the reasons why we are entering this category because it is complementing our business.
- For example, in the beer category, in the cold drink category and in other non-alcoholic beverage category. So all the customers are same. Our relationship stands with them. And it will be quite easy for us to enter into relationship with those customers.
- Kautuk Yemdey:** And just last question from my side. Can you just give the capacity utilization in this quarter of the specialty glass factory?
- Rajesh Khosla:** I think the capacity utilization in the specialized glass is shared below 80%. And there is a good scope that we can increase. We are doing by debottlenecking a lot of machineries and other

things. And we hope that we will be able to achieve some optimum level within this financial year, hopefully.

Kautuk Yemdey: Okay. So post debottlenecking, what addition to the capacity do you expect.

Rajesh Khosla: Post bottlenecking, I think we will be able to make our capacity utilization. above 95%.

Moderator: The next question is from the line of Anil Shah from Insightful Investments.

Anil Shah: Congratulations. Good set of numbers to everyone. Just coming back on the aluminium cans part of the business. Just correct me if I'm wrong, you said current demand is about 3.5 billion cans in India. Is that correct?

Rajesh Khosla: Both demand and supply.

Anil Shah: Okay. And the two main competitors, which is Ball and the other both the Americans, they would be supplying 50% of the current demand. Is that correct?

Rajesh Khosla: They both are sharing the total market as on today.

Anil Shah: Okay. But you said there were 42 competitors.

Rajesh Khosla: No, didn't say. I think maybe I have misspelled or maybe wrongly understood. I didn't say 42 competitors. There is no 42 competitors.

Anil Shah: Okay. So there are 2 of them which are sharing.

Rajesh Khosla: Yes. And we are going to be the third one.

Anil Shah: Yes. But you said also, is it correct, that you said both of them are expanding, one by 600 million and the other by 1 billion.

Rajesh Khosla: Yes.

Anil Shah: So incrementally almost the existing demand is new capacities coming up in the next 3 years.

Rajesh Khosla: The demand is expected to double and triple in the times to come. So whatever capacities they are expanding and whatever capacity we are bringing, the market should be able to absorb the full capacities.

Anil Shah: Right.

Rajesh Khosla: So I'll give you a little perspective. In the U.S.A., the penetration level of can is 55%. In the U.K., the penetration level is 50% to 55%. In Brazil, it is around 50%. In China, it is around 40% to 45%. And in India, the penetration level is 4% to 5%.

Anil Shah: So when you say penetration level, what are you comparing it with?

Rajesh Khosla: Penetration level means if the liquid is filled in 100 containers. In America, 50 containers are of aluminium cans. In China, it is of 40 containers are of aluminium. In India, 4 containers are of aluminium.

Anil Shah: Right. So we need to see a much faster move towards aluminium cans.

Rajesh Khosla: Yes, that's right.

Anil Shah: That's the call. And that would be moving from, whatever

Rajesh Khosla: So this industry looks to us, it is more on the supply side. So this industry is constrained on the supply side, strangled on the supply side rather than on the demand side.

Anil Shah: Got it. I understood that, sir. And one more question, just as a follow-up on the same. Have we booked any of our capacities with some of the existing relationships that we have?

Rajesh Khosla: It's already going on. So I cannot share the present status. But I think it is going to be there.

Anil Shah: Right. And would either of these two players have any other advantage versus us in terms of are these players backward integrated into aluminium itself?

Rajesh Khosla: No. The only advantage is they are ahead of us. We are entering now. They have entered a long time back.

Anil Shah: Okay. But we do have the relationships, so that should not be a problem.

Rajesh Khosla: Absolutely.

Anil Shah: Right. That's fine. So one small bookkeeping question. Our employee cost in this quarter has slightly gone up to about INR 65 crores versus year-on-year and quarter-on-quarter. So is it this is the quarter that we do our variable payouts. Is that so?

Rajesh Khosla: Yes, variable pay, then there are increments and increase. And then since we are increasing, even the futuristic increase, we have to build up our manpower and structure for everything. So all those expenditures.

Anil Shah: Understood. So can we say that most of that has happened in the first quarter itself in terms of the variable payout and the increments? And from going forward in the rest of the quarters, it should be relatively more stable?

Rajesh Khosla: Yes. It should be more stable. But since we are entering into new venture,

Sandeep Sikka: Increment part is there, which will continue.

Anil Shah: Yes, that's one time in a year. So possibly, it's come in this quarter. It will further increase in the next 3 quarters till the next year may not be?

Rajesh Khosla: Because we are increasing our business and we are expanding our structure. So one is the increment part. Second is the variable part. Third is the increase in manpower. Fourth is

restructuring also to take care of the future businesses. So all those factors are adding up with that. So there are some investments which are being done on the manpower side for the future growth.

Anil Shah: Understood, understood. And so both the competitors on the aluminium can side are brokering aluminium, again, from the same list that you mentioned in terms of Novelis USA, Korea.

Rajesh Khosla: Absolutely, sir. So right now, only if I exclude China, so these are the three people which are available in the market, sir.

Moderator: The next question is from the line of Saurabh Manchanda from DSSK Global.

Saurabh Manchanda: Congratulations to the management, firstly. So I have a quick question. You just mentioned previously that the aluminium can penetration in India is about 4% to 5%. Correct?

Rajesh Khosla: Yes.

Saurabh Manchanda: Okay. So of course, going forward, this would increase, But would this hamper say, a lot of your customers might move to aluminium. Would this hamper your glass container sales or PET bottle sales in any way? Will those numbers go down?

Rajesh Khosla: We are not very big in the PET bottle sale. So that is one part. And in whatever segments we are in PET bottles, it is more or less stable. So coming back to on the glass side and the aluminium side, yes, we are aware that the trend is moving towards the aluminium, but that does not mean the trend is not there in glass at all. So if any of the segment, the growth is getting 100%, okay? So on the glass side, it will be slightly less. And on the aluminium side, it will be slightly more.

But those numbers, we have already incorporated in our growth trajectory in the glass side, and the same numbers we are capturing in the aluminium side. So we are working with those numbers. So those numbers are not anything new or very surprisingly new for us. So we know these numbers. And all the packaging segments, they will have their due share and all. So aluminium is just filling the pipeline because it has entered newly into this area. So they have to fill the pipeline, whatever they have not been able to do that because of non-availability.

Moderator: The next question is from the line of Naitik Mohata from Sequent Investments.

Naitik Mohata: Sir, my question is on the other income side. So our other income since last 2 quarters has increased quite drastically compared to the previous year. So is there any particular reason for that?

Sandeep Sikka: We have disclosed like in the last quarter Q4, it was more on account of the subsidy. And this quarter, we have received one of the, there was a fire and we got an insurance claim. If you see Note number 2 and 3 of our published results, so you would know about it.

Moderator: The next question is from the line of Aangi Shets from Array Investors.

Aangi Shets: I wanted to know that where do we stand with the debottlenecking? I assume it was to be done for the 2 furnaces. So by when can we expect that to happen?

- Sandeep Sikka:** One debottlenecking and the expansion of the furnace got completed in FY '24, another one got completed in FY '25. They were already done in the last 2 years.
- Aangi Shets:** Okay. And there is no debottlenecking happening right now, right?
- Sandeep Sikka:** I think the next I think is coming up in after 2 to 3 years now.
- Aangi Shets:** Okay. And monetarily, how much do we expect to benefit from that?
- Rajesh Khosla:** No, I think it's very difficult. And whatever is going to get the monetary benefit, you are going to see in the balance sheet in the coming quarters, ma'am.
- Aangi Shets:** All right. And I have one more question. For the aluminium for the other 2 players that you mentioned, Ball and the other one, since they're both American companies, are we the only one who is an Indian company that would be manufacturing this?
- Rahul Jain:** Yes, ma'am. you're right.
- Aangi Shets:** So do we have any additional benefits to it when it comes to manufacturing?
- Rajesh Khosla:** See, ma'am, as far as benefit is concerned, I think so since we are into the glass business already and we are deep into the glass business. So we understand the packaging needs very well. So we have a relationship. We can give a single platform to all the packaging need of the people. So certainly, we are going to get an advantage.
- Aangi Shets:** Right, right. But if it comes to manufacturing, do we have any other incentive over there?
- Rajesh Khosla:** No. So the technology is quite standard. And at the end, I can say, be Indian buy Indian.
- Moderator:** The next question is from the line of Kunal Tokas from FVC.
- Kunal Tokas:** Okay. Just to extend the conversation, that the last question I was having, it's a little difficult to understand that the aluminium can business is dominated by two American companies. When this business does not seem to have any kind of barriers to entry like access to raw material or it is not a huge capital requirements, though it is for you. You are committing half of your net worth to this opportunity. It is not a patented product or an undiscovered opportunity.
- So coming back to the question, why does this business not have more players and maybe even some unorganized small-scale players entering this business? And you said yourself that the only advantage of the two players is that they were ahead of you. So it can be stated another way that it's your advantage when you enter this business, will your advantage be over the fourth player be only that you were ahead of them?
- Rajesh Khosla:** Okay. Number one, we are talking with respect to India. They are the global players. They have been all around the world. And whenever the can was introduced in the world, so they have been into this market. For example, one player is the biggest player in the world. They are almost 50% of the world market is captured by them.

The second one also has quite a big presence globally, and they are doing it. And they have come to India, and they are selling with that. Yes, there is no barriers, but I don't know how we call a barrier. For example, putting 1,000 ton, INR 1,100 crores is quite a big barrier for a lot of manufacturers to come into this area.

Number two area, this area needs a very strong, strong understanding about the packaging industry which fortunately, because of the glass, we are quite conversant, and we will take the advantage of the same. Relationship with the customer, understanding about the market, complementing the products, giving both the things on simultaneously. So all these are advantages, which become the barrier for the others to come is there.

Rest, I can say it's not like that it is such a barrier, nobody else can come. Of course, people can come, but they will come with their own risk, with their own problems.

Kunal Tokas: Have there been any Indian companies that have tried to enter this segment before?

Rajesh Khosla: Fortunately, we will be the first one in the world, Indian company, in drink can business. So before that, it's not like that. Before that, there were Indian companies in India, they tried to produce a long, long back. I'm talking of 20, 25 years back, and they were not able to successful. At that time, the technology was not much available there. So they closed down and it was over.

Kunal Tokas: Okay. So the world over, the situation is similar that these 2 companies dominate the markets that they are in.

Rajesh Khosla: No. If you talk about the world, there are quite a big companies. It's not only these two companies. There are six, seven, eight big companies we can talk about. They are available. In China, there are so many local companies are there. So India is a market which is getting matured. I say penetration level is only 4% to 5%. So once the penetration level goes up, possibly there maybe more companies which can come. But then we will be ahead of them, and we can certainly capture the growth whatever is going to come there.

Moderator: The next question is from the line of Paras Chheda from Purpleone Vertex Ventures Limited.

Paras Chheda: Congratulations for the great set of results. Sir, I joined this call a little bit late, so apologies for that. Just wanted to understand, sir, what I heard that we are looking at expanding to 2.5x our business size over the next 5 years, right? So approximately about INR 6,200 crores, I mean, in that region INR 6,000 crores plus over 5 years. And secondly, the other thing that I understood is that over the next 2, 3 years until these two new capacities come to fruition, we would probably grow by about 8% to 10% in that region. Is that correct, sir?

Sandeep Sikka: Yes.

Paras Chheda: Okay. For the next 2, 3 years, that will be about 8% to 10%.

Sandeep Sikka: It should be ready. And within 2.5 years, the first phase of aluminium can should be ready.

- Paras Chheda:** Right. So on current capacities, we are almost 90% utilized, and there is some scope whatever. So 8% to 10% is what we can stretch for the next 2 financial years, let us put it that way. Is that correct?
- Sandeep Sikka:** Yes. We have an ability to upscale the product mix. Our focus on value-added products and also there is a capacity which is unutilized on the specialty glass, which we can use. And apart from this, we are also trying to see that how we can further debottleneck the existing facility so that we can touch almost 100% or maybe slightly more of the capacity, whatever we have.
- Paras Chheda:** Right. So for the next 2 years, there is a bit of stretch, and thereafter, of course, these units come on and then there is growth potential. The other thing, sir, what I understood is, sir, until FY '27, at least we are about 8% to 10%. The asset turnover for the aluminium can business would be about 1.2x. Is that correct, sir? So that means about INR 1,200 crores business?
- Sandeep Sikka:** Glass generally has a potential to give from 0.9 to 1.1x of the asset value. And aluminium is somewhere touching 1.2. And 1.2 is also depending on input aluminium price because aluminium is a pass-through here. If you see like this is a horizon of 5 to 6 years which we have talked about. There will be some cash in the system which will be from all these businesses. Right now, we have a run rate of free cash flow. We'll utilize all of them for the next level of growth also. We are not stopping here in terms of growth. Growth will continue with all the earnings which we are going to generate.
- Paras Chheda:** Right, sir. Sir, so I'm just trying to put things together for my own self. So INR 1,200 crores kind of a range on an annual basis from the cans business eventually whenever we hit optimal capacity on that, in that region, let's put it that way. Right?
- And we are, at the moment, doing about INR 2.5 crores and we could probably go up to about INR 3,000-odd crores, which is 8%, 10% incremental debottlenecking over the next 2 years. So that's about INR 4,200-odd crores. So another INR 2,000 crores comes from one is, of course, the other expanded glass capacity. But how much would that add, sir?
- Sandeep Sikka:** That is again 1x. If we are investing INR 700 crores, we can generate INR 700 crores. And with all that, it's not something that we have stopped the investment here. With all the cash flows, this is going to yield a substantial cash flow. We need to deploy that also. So that will also be deployed in terms of debottlenecking the facilities or maybe doing some acquisition maybe 2 to 3 years down the line, so which can actually take us to around 2.5x.
- Paras Chheda:** Right. Because bulk of the capacities are going to come a little bit back ended. And therefore, cash generation also and you will have to also invest into these capacities. And so incremental cash for further acquisitions, I'm just trying to understand hitting that 2.5x or that number could be a stretch, I mean, broadly.
- Sandeep Sikka:** We now generate cash from operations. If you see in the last 3 years, we have paid off debt of around INR 600 crores to INR 700 crores. We had done capex for the last 3 years without any debt. And the net debt level is right now at INR 200 crores. So substantial amount of cash generation has happened in the system.

Now given the fact that the old debt is just INR 200 crores right now, which will be paid in the next 12 to 18 months. Whatever we generate in the system will go as an internal accrual with fresh debt for the creation of these facilities. And once the facilities get created, they will also throw the EBITA out. The old facility is debt free. That is surplus. The incremental money which we are going to generate with all the investment, that is also going to throw up in the cash balance now.

Paras Chheda: Understood. Right. And sir, this steep jump that has happened in basically FY '23 from INR 1,400 odd crores to INR 2,200-odd crores, that was basically on the back of a significant expansion, is it?

Sandeep Sikka: It's a mix of everything. It's a mix of an expansion, debottlenecking, and our improved efficiency. As Mr. Khosla was saying, we had taken maybe more than 30 to 40 projects wherein we have improved our quality, efficiency, production efficiency, furnace throughput. It's not just one factor. It's a mix of combination of many factors wherein you are seeing this. And, we have upgraded the mix. The product mix has changed. The focus on the high value-added items has increased. Our ability to use better fuel mix that also is the factor.

Paras Chheda: Right. And sir, just last query. In terms of aluminium can business as and when it happens, I mean, sort of what is the plan in terms of hedging this raw material pricing and managing risk on that side? So how does that generally work, I mean?

Sandeep Sikka: In can industry, generally what happens is what you try to do hedging is by matching the quantities. The customer will give you an order based on certain specific month-wise quantities and a month-wise price. And then you manage your input.

Paras Chheda: Back to back to then hedge.

Sandeep Sikka: You hedge by way of metal quantities rather than giving a hedging cost.

Paras Chheda: Right. And these cans can eventually again be sort of recycled back into the system. The capacity that will come in will be able to use recycled metal?

Rajesh Khosla: No. Once the can is used, it is out of the system. And then this can be recycled not by us, not by our user, but only by the coil manufacturer, which can use it. Otherwise, nobody else in between. Or if somebody use it, melt it and make some other products, then it is out of the system. So practically, for all practical purposes, you can assume that cans will always be out of the system, once used out of the system.

Sandeep Sikka: But they are 100% reusable.

Rajesh Khosla: May not be in the same industry, may not be in the same product, but in some different products.

Moderator: The next question is from Sreesankar Radhakrishnan from EIP.

Sreesankar R.: Gentlemen, congratulations for on continued good performance. Two questions. Your ROCE has consistently improved in the packaging products up to 23% in FY '25. What are we looking in terms of an ROCE for the aluminium can business? And I'm assuming that the glass business

that you are going to have expansion will continue to remain at these levels. So what's the ROCE that you are expecting in the aluminium can business?

Sandeep Sikka:

I think on the whole, right now, we are at an ROCE ranging around 18% to, 19% from the overall operations. This is despite the fact that major chunk of our assets are also, which are relating to old land parcels, which are there. But if you see the operational efficiency from the glass front and the other investment, it is actually more than 20%.

The investment which we are doing on glass should have a very high ROCE ranging 25% plus. And the investments which we are doing in the aluminium cans, generally, once the full capacity is achieved and full scalability is done, it should be ranging around 17% to 19%.

Sreesankar R.:

Okay. An additional question, can I ask? What will be the ROI from the business in terms of aluminium that you're looking at?

Sandeep Sikka:

ROI is more from the perspective of project IRR if you are trying to say, because the return on equity can be different.

Sreesankar R.:

I was asking about ROI.

Sandeep Sikka:

Yes, that is something around 14% to 15% ROI.

Sreesankar R.:

So you expect a 6-year return of the investment.

Sandeep Sikka:

Yes. Once the whole, in the entire packaging segment, like if you are entering into a segment where the capital intensity is lower, then the investment is more risky in the sense that entry barriers are very few, than anybody can put a capital and they'll come in that especially happens on the PET business.

But here, we are making strategic investments and we are piggybacking on our very strong right to win with our customers whom we are dealing with almost for 4 decades now. And in fact, we have good alignment and our ability to deliver the quality product and also give a wholesome solution like we have not only glass bottles, we'll have cans, security caps and the PET bottles.

We'll be providing wholesome solution to the customers with the way they want to address it. We should be able to offer them. That's the bigger advantage which we can have. And that's the biggest right to win which the whole plan is.

Sreesankar R.:

Okay. And all these capacities coming up in land you are acquiring right now or already this land is with you?

Sandeep Sikka:

We have shortlisted various land parcels for both the projects. And right now, we are at the very advanced stage of closing those stuff, and after which the negotiation with the equipment suppliers are also very advanced stage. Once the whole thing is done, immediately, it will come into the execution stage. The Board has just yesterday approved it. After that, the things will move very fast now.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand over the conference to the management for closing comments.

Sandeep Sikka: I thank you, all of you for joining us on the call today. Maybe a few of the questions are still left unanswered. But I think most of the questions, i think we would have answered. If anything left, you can get back to our Investor Relations agency, and we'll be very happy to make a response to the same. Thank you very much. Thanks again.

Moderator: Thank you. On behalf of AGI Greenpac Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.
2. Figures have been rounded off for convenience and ease of reference.
3. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of AGI Greenpac Limited.