

Q4 2023

1. Financial Performance and Strategy

- **Narrative:** Management expresses confidence in sustaining a high revenue growth rate despite challenging macroeconomic conditions (higher interest rates and inflation). This confidence is rooted in long-term strategic plans, but the short-term impact is emphasized through the discussion of quarterly volatility within the context of the long-term CAGR target.

- **Management's Guidance:**

- Management aims for a 15-20% compounded annual growth rate (CAGR) in revenue over the next 3-4 years. While acknowledging potential quarterly volatility, the long-term target is consistently reiterated. The long-term projections are discussed in the context of the current quarter's performance, making them relevant.

- **Actual Results:**

['Q2', '2024']:

- In Q2 2024, consolidated revenue grew by 12% year-on-year to Rs. 960.6 crores, while standalone revenue declined by 23% year-on-year to Rs. 218.5 crores. H1 FY24 consolidated revenue showed an 8% YoY increase to Rs. 1,854.8 crores. Management noted that H1 FY24 revenue included Rs. 72 crores from the Alpha integration, not present in H1 FY23. For the full H1, growth of approximately 7-8% was maintained, a target management aimed to sustain in the second half of the year.

['Q1', '2024']:

- In Q1 FY24, revenue growth figures varied. Some sources reported a 5% year-on-year increase to INR 894 crores, while others reported a 15% increase. Conversely, a 21.5% year-on-year decrease in revenue from operations was also mentioned. These discrepancies require further investigation.

['Q4', '2023']:

- In Q4 FY23, revenue declined by 18.5% to INR 730 crores compared to INR 896 crores in Q4 FY22. However, FY23 revenue increased by 16.4% YoY to INR 3,158 crores, driven by increased orders from existing customers and improved realisations from acquired customers. Revenue growth for FY23 was also 16% YoY despite a 6% drop in the number of pieces shipped. Revenue contribution from customers added in the last five years doubled in FY23.

- **Evaluation:**

- **{'evaluation': 'Did not meet expectations', 'evaluation_reason': 'While full-year FY23 revenue growth (16.4%) was positive, Q4 2023 showed a significant 18.5% decline, falling short of the projected 15-20% CAGR.'}**

2. Operational Efficiency and Expansion

- **Narrative:** PGIL is focused on increasing capacity and optimizing manufacturing processes to meet future demand. Specific examples of capacity expansion projects are mentioned, highlighting both the financial investment and the expected increase in output.

- **Management's Guidance:**

- Capacity is expected to increase from 54 million pieces to 74 million pieces. A new facility in Indonesia, representing a 35% capacity increase, is projected to drive increased revenue in FY2024-25. This is a direct link between Q4 actions and future performance.

- **Actual Results:**

['Q2', '2024']:

- In Q2 2024, management noted lower inventory in India, aligning with the 25% revenue reduction. The Indonesia facility had 100% of its CAPEX incurred. Guatemala had 40% of its CAPEX incurred. Bangladesh had 70% of its CAPEX incurred. India's Chennai factory expansion was only 15-20% complete.

['Q1', '2024']:

- In Q1 FY24, the company shipped 3,158 million pieces. Further data on capacity utilization is available, but a direct comparison with guidance on the Indonesian facility's impact is unavailable.

['Q4', '2023']:

- The provided data does not contain actual results for the capacity expansion. However, a total capex of INR 48 crores was incurred in FY23, with INR 29 crores allocated to the 35% capacity expansion at the Indonesian facility.

- **Evaluation:**

- **{'evaluation': 'Cannot be Evaluated', 'evaluation_reason': 'The provided data for Q4 2023 lacks information on the actual capacity increase achieved, preventing an evaluation against the stated guidance.'}**

3. Profitability Metrics and Cost Management

- **Narrative:** Management emphasizes maintaining profitability despite industry margin pressures. The discussion includes specific targets for return on capital employed (ROCE) and EBITDA margins, demonstrating a proactive approach to cost management and financial performance.

- **Management's Guidance:**

- PGIL aims to maintain margins between 7% and 8% on a full-year basis. The company targets a return on capital employed (ROCE) of 18-20% for new projects within two to three years. A double-digit EBITDA margin is targeted, contingent on macroeconomic factors and product mix.

- **Actual Results:**

['Q2', '2024']:

- In Q2 2024, the adjusted EBITDA margin reached 8.3% (220 bps higher YoY). H1 FY24 adjusted EBITDA margin was 6.2% (versus 6.1% in H1 FY23), and 8.8% excluding ESOP expenses (180 bps higher YoY). ROCE (TTM) stood at 30.8%.

['Q1', '2024']:

- Q1 FY24 saw EBITDA margin expansion of 140 basis points year-on-year to 9.3%. Other sources mention varying EBITDA and PAT figures requiring further clarification.

['Q4', '2023']:

- In Q4 FY23, EBITDA margin was 8.6%, while the FY23 EBITDA margin improved by 290 bps to 8.1% from 5.2% in FY22. FY23 ROCE improved from 12.2% to 24.2%. Q4 FY23 EBITDA was INR 62.8 crores, a 55.9% increase compared to INR 39.7 crores in Q4 FY22.

- **Evaluation:**

- **{'evaluation': 'Exceeded expectations', 'evaluation_reason': 'Q4 2023 EBITDA margin (8.6%) and FY23 ROCE (24.2%) significantly exceeded the stated targets, demonstrating strong profitability performance.'}**

4. Cash Flow and Working Capital Management

- **Narrative:** The company provides guidance on capital expenditure (CAPEX) plans for the upcoming fiscal year, demonstrating a clear understanding of its financial resource allocation.

- **Management's Guidance:**

- Planned CAPEX for FY24 is estimated to be between INR 50 and 60 crores.

- **Actual Results:**

['Q2', '2024']:

- In Q2 2024, consolidated net worth was Rs. 753 crores, gross debt fell to Rs. 374 crores (from Rs. 448 crores in March 2023). A special dividend of Rs. 12.50 per share (125% of face value), totaling approximately Rs. 27 crores, was declared. Receivables days were 30 days (historically around 49-50 days).

Approximately 55-60% of planned CAPEX was already incurred in H1 FY24.

['Q1', '2024']:

- No actual results for Q1 FY24 CAPEX are provided in the data.

['Q4', '2023']:

- Actual CAPEX for FY23 was INR 48 crores.

- **Evaluation:**

- {'evaluation': 'Met expectations', 'evaluation_reason': "While FY23 CAPEX (INR 48 crores) is slightly below the lower end of the FY24 guidance range, it's sufficiently close to consider expectations met, given the focus on FY24 guidance."}