

HINDUSTHAN NATIONAL GLASS & INDUSTRIES LTD.

Q3 & 9M FY2012 Earnings Presentation

Disclaimer

Certain statements in this communication may be 'forward looking statements' within the meaning of applicable laws and regulations. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation and labour relations.

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Company overview

Dominant position	Market leader in the container glass segment Installed TPD capacity in India (2,925 MT) and Germany (320 MT); Planned capacity expansion to ~6,765 TPD at Global level by FY17
Consumption Ancillary	Diversified end user segment including Liquor, Beer, Beverages, Food, Pharmaceuticals and others
Pan India Presence	Manufacturing facilities in 6 locations across India, 7th facility will start by March/April, 2012 Additionally, international manufacturing footprint through its 100% subsidiary HNG Global GmbH, Germany
Competent management	Strong management with vast experience and domain knowledge Successful history of acquiring loss-making units and turning them around
Well established customer relations	Six decades of presence in the industry has enabled the Company to develop long standing customer relations
Strong Balance Sheet	In a capital intensive industry, the Company has been able to maintain a comfortable long term debt/ equity ratio

Financial Highlights

Q3 FY2012 Highlights Vs Q3 FY2011

- Total Income up 27% to Rs. 5,118.3 million (Rs. 4,042.6 million in Q3 FY2011)
- EBIDTA stood at Rs. 762.8 million (Rs. 768.3 million in Q3 FY2011)
- PBT at Rs. 217.5 million (Rs. 393.8 million in Q3 FY2011)
- PAT stood at Rs. 174.5 million (Rs. 313.8 million in Q3 FY2011)
- Diluted EPS at Rs. 2 (Rs. 3.59 in Q3 FY2011)

9 Months FY2012 Highlights Vs 9 Months FY2011

- Total Income up 20% to Rs. 13,712.3 million (Rs. 11,429.9 million in 9 Months FY2011)
- EBIDTA at Rs. 2,274.6 million (Rs. 2,262.6 million in 9 Months FY2011)
- PBT stood at Rs. 758.4 million (Rs. 1,153.1 million in 9 Months FY2011)
- PAT at Rs. 603 million (Rs. 900.6 million in 9 Months FY2011)
- Diluted EPS at Rs. 6.90 (Rs. 10.31 in 9 Months FY2011)

Financial Highlights (continued)

Q3 FY2012 Highlights Vs Q2 FY2012

- Total Income up 20% to Rs. 5,118.3 million (Rs. 4,247.6 million in Q2 FY2012)
- EBIDTA stood at Rs. 762.8 million (Rs. 727.0 million in Q2 FY2012)
- PBT at Rs. 217.5 million (Rs. 213.6 million in Q2 FY2012)
- PAT stood at Rs. 174.5 million (Rs. 167.6 million in Q2 FY2012)
- Diluted EPS at Rs. 2 (Rs. 1.92 in Q2 FY2012)

MD's Message

Comments on the performance for Q3 & 9M FY2012 - from Mr. Mukul Somany, Vice Chairman & Managing Director of the Company :

"I am happy to share with you the working results of the Company for the Quarter and Nine months ended 31st December, 2011. The Sales Volumes are up by ~7% in the 9 months period. The market for Glass Containers is showing encouraging growth. All our user segments (Liquor, Food, Soft Drinks etc.) are growing handsomely and show large promise.

The total costs per MT of production have increased by ~Rs. 2,100 in the 9M period and that warranted a price increase. I am glad to share with you that we have taken the price increase of about 8% wef 01-01-2012 on 30% of our sales volumes, while on the remaining 70%, the price increase has been taken wef 01-02-2012.

Our Greenfield and brownfield New Furnaces are on stream. The 650 TPD Nashik brownfield furnace is expected to be operational in February/March, 2012. Another 650 TPD Naidupeta greenfield furnace is expected to be operational in March/April, 2012. This capacity increase of more than 40% of our present capacities offers a large opportunity to the Company to gain further market-share. This volume growth without any further Equity dilution gives shareholders of the Company, share in the larger pie.

MD's Message (continued)

The commodity prices have started softening and we do not see any large pressure of further price-increase on commodity front (and in any way, the Company has demonstrated the capability of passing on the increased costs in our sales prices). Going forward, the interest rates are also expected to soften, as they seem to have peaked out and it should only have a downward movement going forward, in order to create further growth in the economy.

The present levels of INR-USD rates have increased the lucrativeness of our exports, which is a positive factor and your Company is taking steps to increase the export volumes.

Our German plant (100% Subsidiary) shows continuous signs of improvement and is expected to break-even in the FY 2012-13.

As we continue to build on our solid foundation, we are confident of delivering robust financial and operating performance in the years to come."

Business Progress

- Capacity expansion of 650 (TPD) at the existing Nasik facility is on schedule and is expected to be commissioned by February / March 2012
  - Capex of Rs. 725 crore is budgeted for this facility

- Greenfield capacity expansion at Naidupeta in Nellore district of Andhra Pradesh is progressing well and is expected to be commissioned by March / April 2012
  - Capex of Rs. 800 crore is budgeted for this facility
  - This manufacturing complex will house India's largest single furnace with a capacity of 650 TPD and the world's largest container glass end port fired furnace of 175 sq. mt.
  - Strategically located facility: To substantially strengthen operations in South – key market in India; and in-close proximity to all key raw materials

- Integrating state-of-the-art-technology in facilities through the latest capacity expansions
  - To meaningfully lower costs by incorporating further efficiency and improving productivity – expected to reflect in operating performance from Q2 FY2013

Business Progress (continued)

- HNG established its presence in Germany, one of the largest markets for food and alco-bev industries in the world, through the acquisition of operations of Agenda Glas (AG)**, Germany, in May 2011
  - Aligned with the Company's plans to achieve global scale
  - Sustained efforts have facilitated improved capacity utilization and efficiency
  - Technological synergies are expected to accrue across the existing spread of manufacturing units in India

- With the implementation of cost rationalization initiatives across manufacturing units and addition of capacities with higher efficiencies, operating and financial performance is expected to witness significant improvement

***** Now known as HNG Global GmbH – 100 % Subsidiary of HNG***

Financial Highlights

Profit & Loss Statement Snapshot

(Rs. millions)

Particulars	Q3 FY12	Q3 FY11	Q2 FY12	Shift (%) Q3 FY12 Vs Q3 FY11	Shift (%) Q3 FY12 Vs Q2 FY12	9M FY12	9M FY11	Shift (%)
Total Income	5,118.3	4,042.6	4,247.6	27%	20%	13,712.3	11,429.9	20%
EBIDTA	762.8	768.3	727.0	(1%)	5%	2,274.6	2,262.6	1%
Margins	15%	19%	17%			17%	20%	
Depreciation	301.7	246.4	289.6	22%	4%	852.5	739.9	15%
Interest	243.6	128.1	223.8	90%	9%	663.7	369.6	80%
PBT	217.5	393.9	213.6	(45%)	2%	758.4	1,153.2	(34%)
Margins	4%	10%	5%			6%	10%	
Tax expense	43.0	80.0	46.0	(46%)	(7%)	155.4	252.5	(38%)
PAT	174.5	313.9	167.6	(44%)	4%	603.0	900.6	(33%)
Margins	3%	8%	4%			4%	8%	
EPS	2.00	3.59	1.92	(44%)	4%	6.90	10.31	(33%)

Financial Highlights

Balance Sheet Snapshot

(Rs. millions)

Particulars (Rs. mn)	December 31, 2011	March 31, 2011
Net Block / CWIP	23,232.8	13,845.4
Net worth	12,275.1	11,661.5
Total Debt	16,302.0	6,395.4
- Long term debt	14,309.4	4,272.9
- Short term debt	1,992.6	2,122.4
Cash & Cash equivalents	26.6	42.2
Long term Debt to Equity	1.17	0.37
ROCE (%)*	6.47%	7.22%
Return on Net worth (%)	6.72%	7.82%
Current Ratio	1.84	2.17
Net working capital cycle (days)	76	74

* ROCE is calculated on post-tax basis.

Performance Analysis (Q3 FY12 Vs Q3 FY11)

Total Income

- Q3 FY2012 revenues at Rs. 5,118.3 million marked a growth of 27% over Q3 FY2011
  - Production volumes during the quarter increased by 20% as compared to Q3 FY2011 on account of increased capacities from rebuilt furnaces
  - Q3 FY2012 sales volumes enhanced by 15.1% over the corresponding quarter of FY2011
  - Realizations improved by 10.7% owing to the price hikes taken in Q4 FY11

EBIDTA

- Operating profits witnessed a moderation during the quarter
  - In Q3 FY2012, cost of production per ton escalated by 16.9% as compared to Q3 FY2011. This resulted in subdued performance at the operating level despite improved realizations
    - Power and Fuel cost, which constitute around 40% of the total cost of production, increased by ~38% in comparison to Q3 FY2011
    - Raw material costs increased by ~10% during the quarter, as compared to Q3 FY2011
    - To pass on the effect of increase in costs, the Company has taken a price hike of 8% in Q4 FY2012

- EBIDTA performance lags in a rising cost environment – and is expected to improve following the price increase
  - Expects improvement in margins as new capacities that have higher operating efficiencies will demonstrate optimal utilization in the future

Performance Analysis (Q3 FY12 Vs Q3 FY11)

Interest and Finance Costs

- Interest & Finance costs have increased in Q3 FY2012 to Rs. 243.6 million as compared to Rs. 128 million in Q3 FY2011
  - Increase in base rates announced by banks resulted in an increase in the average cost of borrowed funds

Net Profit

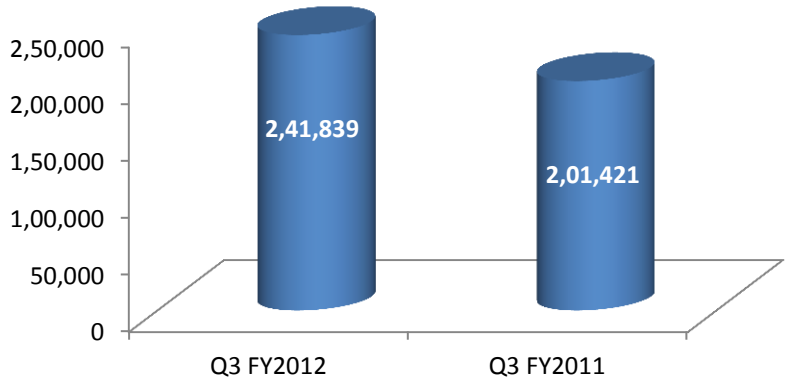
- During the quarter, PAT at Rs. 174.5 million was lower resultant to higher depreciation and interest & finance charges
- Price hikes implemented by the Company is expected to translate into improved performance

Balance Sheet

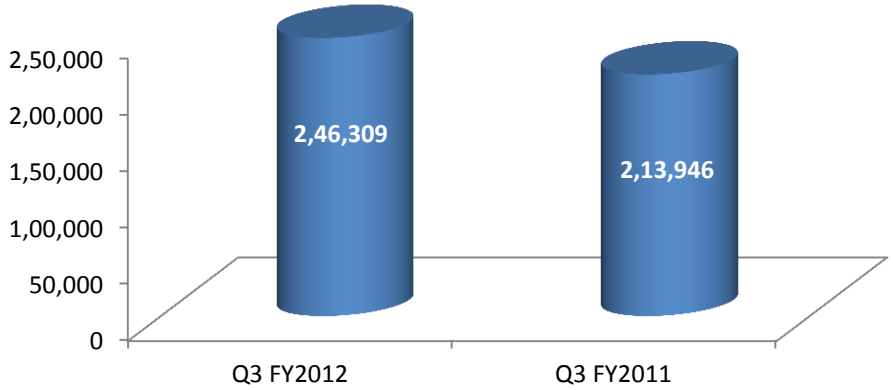
- Net worth higher on account of sustained internal accruals
- Acquisition of Agenda Glas, Germany and capacity expansion have partly been funded through long term debt
- Fixed asset base expanded on account of capacity enhancement

Operational Overview

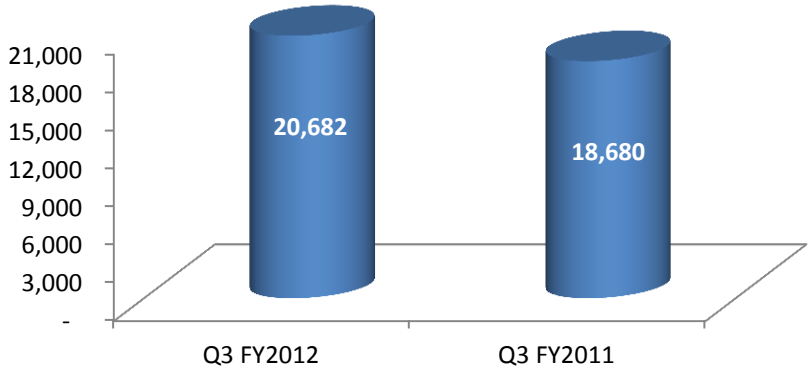
Production (MT)



Sales (MT)



Net Realization (Rs. / MT)

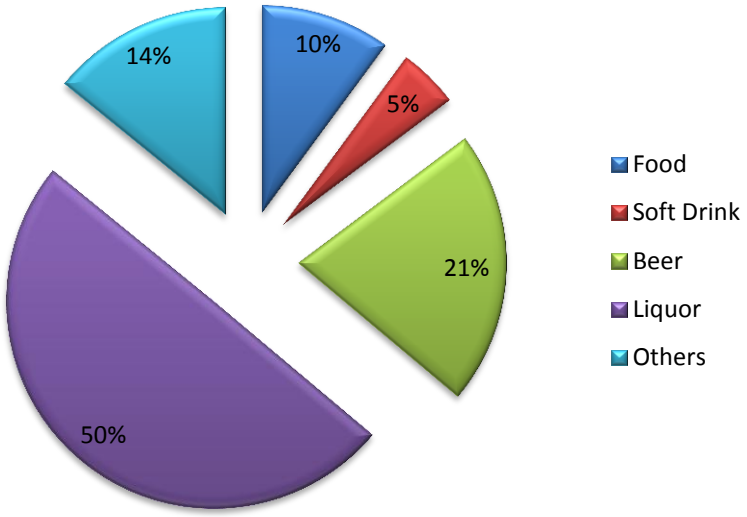


Key Perspectives

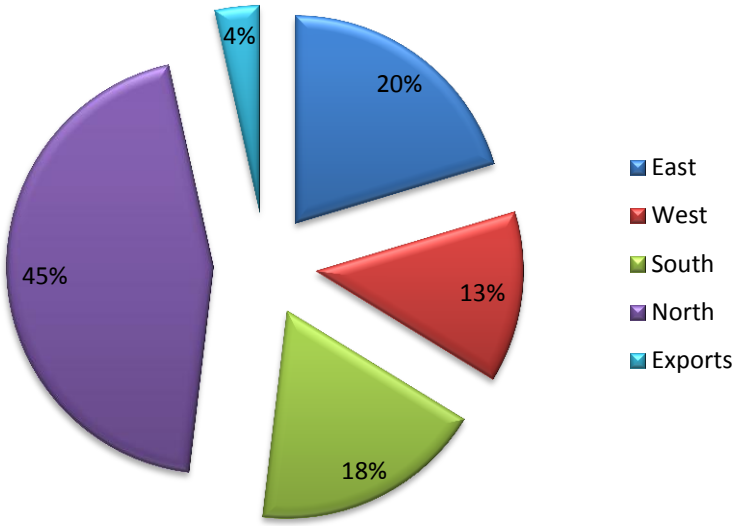
- Realizations improved on the back price hikes executed during Q4 FY11. Price hike in FY12 has been taken wef from Q4 FY12.
- As HNG's additional capacities go on stream, production and sales volumes are expected to improve significantly

Volume Mix – 9 Months FY2012

End user segment

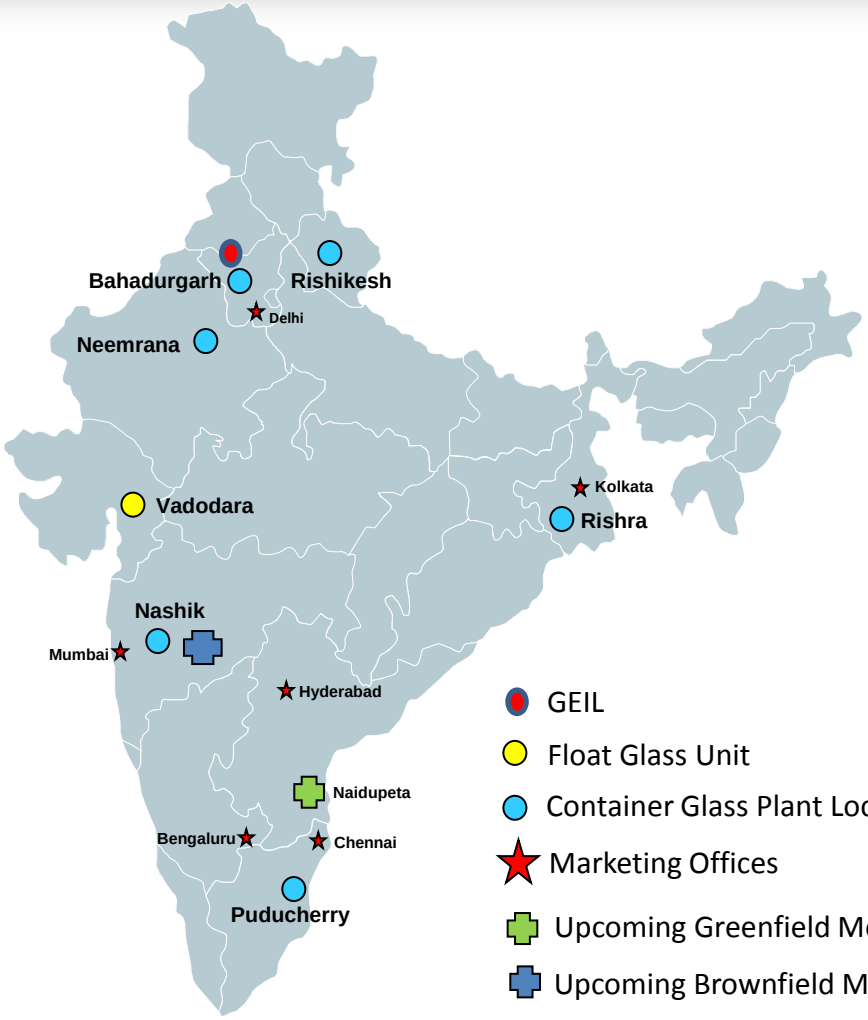


Geography



1 Others include Pharmaceuticals

Pan – India Presence



- HNG, the largest container glass manufacturer in India has a manufacturing capacity of 2,925 tonnes per day
- Multi-locational production facilities enable the Company to:
  - Lower landed cost to customers
  - Provide JIT supplies
  - Cater to key customers across India

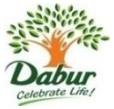
Note : Further, the Company is setting up greenfield manufacturing facilities in new locations in West Bengal and Rajasthan. The total capacity is expected to grow to ~6,445 TPD by FY17 through Greenfield and Brownfield expansions in India.

Developments at German Operations

- Plant has achieved efficiency of 76% in December, 2011, which is the best monthly figure since commissioning of the plant
- December 2011 has had the best monthly sales at €2.3m
- Sales in FY 2013 shall further improve through higher quantity and better prices
- The Company has negotiated better prices with the two distributors, who presently sell 100% of our products, and increased it by 8%
- Technicians deployed from India for training German team yielding good results
- Further Capex, of €12m, shall improve productivity and profitability, warehouse cost of €7m (approx.) expected to save €1.5m of rent p.a.
- Overall operations expected to breakeven in FY 2013

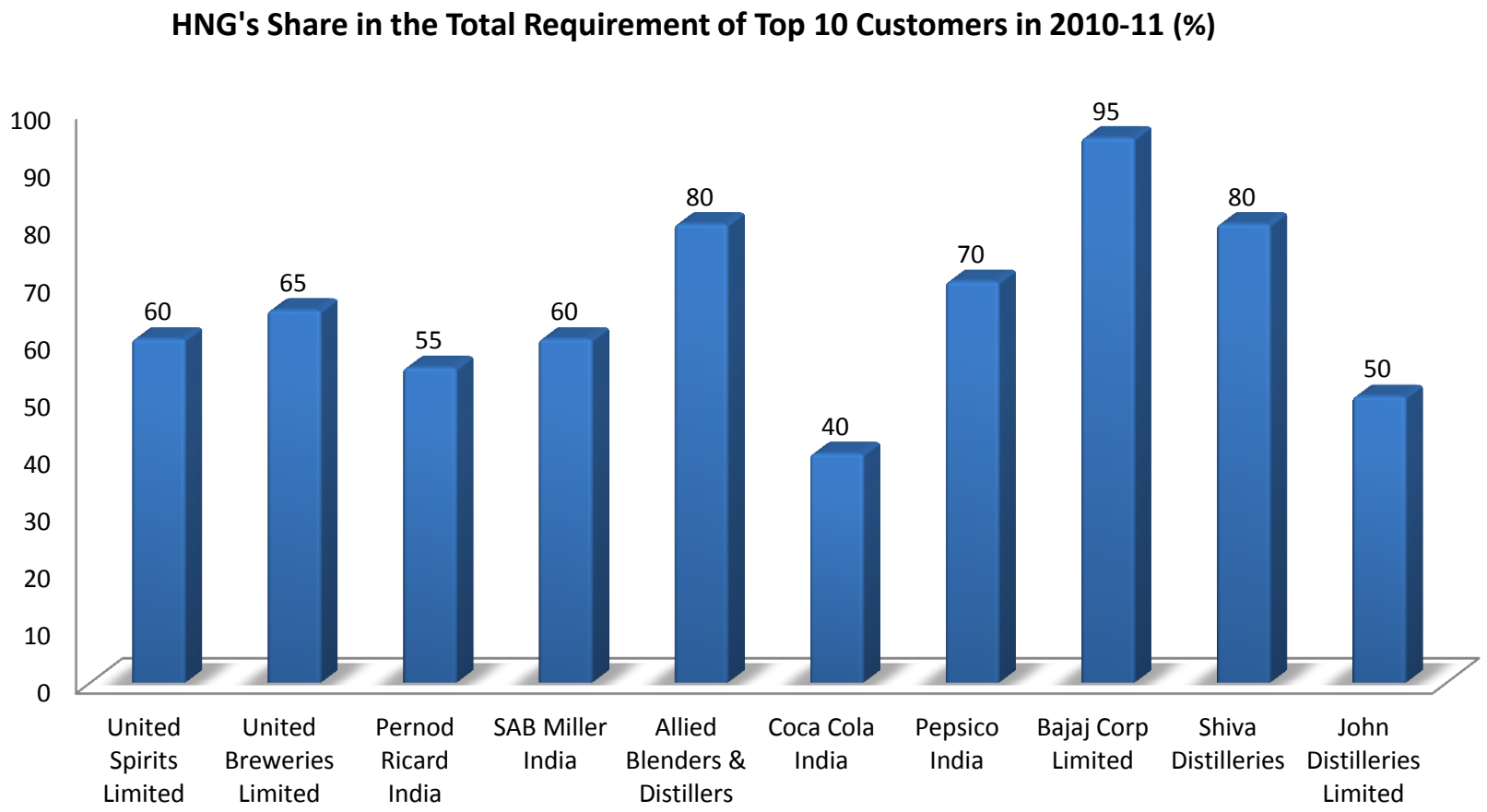
Annexure

Strong customer relationships

LIQUOR	      
BEER	  
FOOD	    
SOFT DRINKS	 
PHARMACEUTICALS	     

Caters to customers across segments

HNG's Share of Top 10 Customers



Hindusthan National Glass & Industries Ltd. (HNG)

THANK YOU

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