Sejal Glass Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Operational) / Guidance Revision (Negative) **One-line:** Sejal Glass is successfully scaling its UAE engine (utilization up to 62%), but a downward revision in FY25 revenue guidance and persistent high leverage keep the thesis in a "show-me" phase for long-term investors.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss (Guidance Cut)	FY25 revenue target lowered from □300-305 Cr to □260-280 Cr.	□
Earnings Quality	High (Core driven)	Growth is purely volume and utilization-led; no one-offs cited.	□
Guidance Confidence	Neutral	Revised target requires a steep H2 ramp (□155 Cr vs □115 Cr in H1).	□
Management Credibility	Neutral	Transparent about Gulf War delays but pushed back product launches (Bulletproof).	□
Business Quality Signal	Improving	UAE plant is proving its scalability; high-value product mix shifting.	□
Key Q&A Exchange	Q#17 - Debt & Acquisition	Mgmt "90% sure" of an India deal; admit debt/interest pressure is high.	□
The Street's Primary Anxiety	Leverage vs. Growth	Can the company grow fast enough to outpace □16-17 Cr annual interest?	□
Capital Cycle Stage	Harvesting / Consolidation	Scaling existing UAE assets; looking for distressed India assets.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins held at 14% despite regional headwinds.	□
Pricing Power	Stable	Value-added architectural glass allows for B2B price retention.	□
FCF Conversion & Quality	Weak	High WC requirements and interest costs consume operating cash.	□
Competitive Moat Signals	Stable	High-spec certifications for GCC/Africa markets act as entry barriers.	□
Balance Sheet Strength	Stressed	Debt of □140 Cr remains the primary overhang on equity value.	□
Working Capital Efficiency	Improving	LC discounting and secured credit shift intended to optimize cycles.	□
Mgmt Guidance Track Record	Mixed	Missed initial Q1/Q2 "bulletproof" launch timeline; revised revenue down.	□
Key Vulnerability / Red Flag	Geopolitical Concentration	74% of revenue is in UAE/GCC; Gulf War creates project delays.	□
Management Tone	Optimistic but Cautious	Bullish on utilization but acknowledged external delays.	□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways (Positives & Negatives):

Positives: * **UAE Utilization Jump:** Capacity utilization in the UAE rose from 47% (Q1) to 62% (Q2), indicating strong market absorption of the Burhani Glass acquisition. * **Product Mix Evolution:** Entry into bulletproof glass (Jan launch) and Railway glass (Vande Bharat bidding) signals a shift from commodity architectural glass to high-margin specialty segments. * **Strategic Domestic Recovery:** India (Silvassa) operations recovered from Q1 strike issues, targeting 14-15% EBITDA in H2.

Negatives: * **Guidance Revision:** Management lowered FY25 revenue guidance to ₹260-280 Cr (from ₹300+ Cr), citing project delays due to regional instability (Gulf War). * **High Interest Burden:** Annualized interest of ₹16-17 Cr consumes ~50% of current EBITDA run-rate, leaving thin margins for PAT. * **Back-ended Execution:** H2 requires ₹155 Cr in revenue to hit the midpoint of guidance, a 35% jump over H1 performance.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr (Q2)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹61.88 Cr	↑ 55.03%	↑ 16.6%	↑	Driven by UAE operations (74% of mix).
Revenue (H1 FY25)	₹114.95 Cr	↑ (Not stated)	N/A	↑	Consistent growth from integrated UAE assets.
EBITDA	₹8.67 Cr	↑ 123.79%*	↑ 18.3%	↑	*Note: YoY comparison against a low base.
EBITDA Margin %	14.00%	↑ 15 bps (H1)	↑ 19 bps	↑	H1 EBITDA at 13.96%. Target 15%+.
PAT (Q2)	₹2.45 Cr	↑ 123.79%	↑ 75.0%	↑	Higher profitability from UAE scale.
EPS (₹)	₹2.40	↑	↑	↑	H1 EPS at ₹3.77.
India Utilization %	55.0%	N/A	↑ 200 bps	↑	Average across all product lines.
UAE Utilization %	62.0%	N/A	↑ 1500 bps	↑	Significant ramp-up from 47% in Q1.
Domestic Rev Mix	26.14%	N/A	↓	↓	Share shrinking as UAE grows faster.
Export/Intl Rev Mix	73.86%	N/A	↑	↑	Driven by GCC, Africa, and MENA regions.
Order Book (UAE)	40 Mn Dirham	N/A	↑	↑	Servicing UAE and GCC countries.
Order Book (India)	₹25.00 Cr	N/A	N/A	→	To be executed over 5-6 months.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (EBITDA)	Trend	vs Company Avg	Key Development
UAE (RAK)	₹45.70*	N/A	~15%	↑	Above Avg	Launching bulletproof glass Jan 2025.
India (Silvassa)	₹16.18*	N/A	~8%	→	Below Avg	Targeted 14-15% EBITDA in next 6 months.
*Derived from % mix provided in transcript.						

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	□260 - 280 Cr for FY25.	**Aggressive.** Needs □155 Cr in H2 (□77.5 Cr/qtr). Q3 guided at □70 Cr, Q4 at □85 Cr.	Missed Q1 target; Revised FY25 down.	High risk of miss if project delays persist.
Guidance	Margins	15% - 16% EBITDA.	**Feasible.** Already at 14%; incremental utilization typically flows to EBITDA.	Improving.	RM price/energy cost volatility.
Guidance	Volume	Reach peak UAE capacity by year-end.	**Moderate.** UAE is at 62%; requires 38% more absorption.	Utilization up QoQ.	GCC project cycle.
Strategy	New Products	Bulletproof glass launch Jan 2025.	**Delayed.** Q1 call indicated Oct/Dec; now Jan.	Delayed.	Testing/Cert. delays.
Strategy	Acquisition	Close domestic acquisition in FY25.	**Active.** Negotiation stage; 90% confidence.	New initiative.	Valuation gap.
Balance	Leverage	Reduce debt/interest pressure.	**Unclear.** Intend to use "equity structure" for new deals.	Not yet delivered.	High interest (□17 Cr/yr).

4. ANALYST Q&A

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
1	4.0	Saki Bansal / Individual	Growth	Capex & Allocation	What is the status of the inorganic growth acquisition mentioned in the last call?	Management confirmed negotiations are in the final stages but valuation differences exist, with a positive resolution expected within a month. Closure of this deal is critical to achieving the □80 Cr quarterly run-rate target for India.	Specific target names	4.0	Directional with evidence
2	4.5	Saki Bansal / Individual	New Products	Business Overview	Is the bulletproof glass product live or still in the testing phase?	Testing for UAE Defense is underway with results expected by November end, followed by Netherlands testing in December and a market launch in January. This confirms a 3-month delay from original projections but validates the move into ultra-high-margin defense glass.	None	4.5	Specific timeline given
3	5.0	Saki Bansal / Individual	Guidance	Management Commentary	Why has the top-line guidance been revised down from □280-300 Cr	Revision is attributed to project delays and slowdowns caused by the Gulf War impacting dispatches in	Specific impact in Dirhams	3.5	Vague but consistent

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					to 260-280 Cr?	GCC countries. This exposes the company's high vulnerability to geopolitical risks in its primary growth market (UAE).			
4	4.0	Praharsh / Arjav Partners	New Segments	Business Overview	What is the status of the railway glass orders?	Bidding is active with first orders of 50-60 lakhs per month expected to start in late October or early November. While the initial value is small, entering the Vande Bharat supply chain provides a long-term growth tailwind for the India business.	None	4.0	Specific value given
5	3.5	Chirag Jain / Individual	Margins	Financials	How will India margins improve given the current low levels?	Focus is shifting to value-added insulated and laminated glass with higher volumes to reach 14-15% EBITDA. This transition is essential as the India business is currently a drag on consolidated margins.	Product-wise margin breakdown	3.0	Vague but consistent
6	4.0	Chirag Jain / Individual	Receivables	Financials	Why are trade receivables	Debtors appear high because	Exact DSO target	4.0	Clear and quantified

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					increasing and how will they be reduced?	30-35% of UAE sales are via LC (Letter of Credit) which shows as a gross liability until discounted. Shift towards secure credit and recourse factoring should normalize the cash conversion cycle in H2.			
7	3.5	Rohit / Vijit Global	Operations	Business Overview	What is the specific outlook for the India (standalone) operations?	Revenue is expected to reach □42-45 Cr in H2 (vs ~□31 Cr in H1) with EBITDA expanding to 14-15%. This requires a significant operational step-up and successful onboarding of new B2B clients.	None	4.0	Specific target given
8	3.0	Chirag / Individual	Capacity	Capex & Allocation	Is there spare land in UAE and plans for expansion?	Company has 20 acres (75% unutilized) but no immediate CAPEX is planned as they focus on maximizing the current facility first. This indicates a focus on sweating current assets to pay down debt before embarking on new builds.	None	4.0	Specifics on land

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9	3.5	Karan / Individual	Strategy	Management Commentary	What is the long-term vision for 3-4 years?	Aim is to be a multinational in architectural glass, potentially expanding to Europe/USA and diversifying into Solar glass manufacturing. This signals high ambition but also suggests potential diversification risk into capital-intensive float glass in the future.	Capital required for Solar	2.5	Vague/ Ambitious
10	4.5	Dipanshu / Sattva Venture	Leverage	Financials	How will the new acquisition be funded given the high interest cost and debt?	Management plans to use an "equity structure" for future acquisitions to avoid adding debt pressure. This implies a potential equity dilution (QIP/ Preferential Issue) may be on the horizon to fund inorganic growth.	Details of equity structure	3.0	Hedged/ Deflected
11	3.0	Rachna Sharma / HNI	UAE Details	Business Overview	What are the specifics of the UAE acquisition (Burhani Glass)?	The group invested ₹100 Cr for a facility with 21 lakh sqm/yr toughened glass capacity and 6 lakh sqm/yr IG capacity. These assets	FY24 PAT of UAE entity	4.0	Quantified asset data

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						are the primary reason for the 55% YoY revenue growth seen this quarter.			

PATTERN FLAGS & SENTIMENT

- **Geopolitical Anxiety:** Analysts were highly focused on the impact of the Gulf War on UAE operations. Management's posture was defensive but realistic, admitting to project delays that forced a downward revision in revenue guidance. This remains a live risk that will likely be the first question next quarter.
- **Leverage & Acquisition Tension:** There is a clear tension between the company's high debt (₹140 Cr) and its aggressive acquisition plans. Analysts pressed on how a loss-making/low-profit company can afford more assets. Management's shift in tone toward using "equity structures" suggests they have reached the ceiling of their debt capacity.
- **The "H2 Ramp" Skepticism:** Multiple questions probed how the company will jump from ₹60 Cr to ₹80 Cr quarterly revenue. While management pointed to a ₹25 Cr order book and daily bookings, the market remains skeptical of the math, especially with the delayed bulletproof glass launch.

Analyst Sentiment Verdict: Analysts are **cautiously skeptical**. While the operational turnaround (utilization ramp) is visible and credible, the combination of a guidance cut, high interest costs, and delayed product launches has tempered the "growth story" momentum. Management's credibility is stable but needs a "clean" Q3 (meeting the ₹70 Cr target) to regain full trust.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Q1 FY25)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
FY25 Revenue	₹300 - 305 Crores	₹260 - 280 Crores	~₹30 Cr cut (10%).	Higher fixed cost per unit; margin pressure.
Bulletproof Glass	Launch by Oct-Dec 2024.	Launch in Jan 2025.	1-2 month delay.	Delay in high-margin revenue contribution.
India EBITDA	Recovery to double digits.	Currently struggling; target 14-15% in H2.	Recovery taking longer than expected.	Dependency on UAE for all group profits.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare. (Note: Per Prior Context provided, this analysis reflects the shift from Q1 to Q2 FY25)

What Changed	Prior Quarter (Q1)	This Quarter (Q2)	Direction
FY25 Revenue Guidance	□300 - 305 Cr	□260 - 280 Cr	↓
UAE Utilization	47%	62%	↑
Bulletproof Launch	Oct - Dec 2024	January 2025	↓ (Delay)
Interest Run-rate	~□16 Cr (Est)	□16 - 17 Cr (Confirmed)	→ (High)
Revenue Mix	High focus on India recovery	74% contribution from UAE	↑ (Concentration)
New Segments	Investigating Railway	Bidding active; orders starting Nov	↑

STOP.