February 20, 2025

Department of Corporate Services
BSE Limited
Phiroze Jeejeeboy Towers
Mumbai – 400001
Scrip Code - 509820

The Listing Department,
National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra Kurla Complex
Bandra (East),
Mumbai 400 051
Symbol – HUHTAMAKI

Sub: **Transcript of Earnings call for the 4th quarter and financial year ended December 31, 2024**.

Dear Sir/Madam,

This is further to our letter dated February 14, 2025, whereby the Company had submitted the link to the audio/video recording of the Earnings Call held post announcement of the audited financial results for the 4th quarter and financial year ended December 31, 2024.

Pursuant to the Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed the transcript of the said Earnings Call, for your information and records.

The same is also available on Company's website at www.flexbiles.huhtamaki.in

Kindly take the same on your records.

Thanking you,

For **Huhtamaki India Limited**

ABHIJAAT A SINHA

Digitally signed by: ABHIJAAT A SINHA
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Date: 2025.02.20 18:47:21 +05'30'

Abhijaat Sinha
Company Secretary & Legal Counsel

Encl.: As above

“Huhtamaki India Limited

Q4 CY '24 Earnings Conference Call”

February 14, 2025

MANAGEMENT:	**MR. DHANANJAY SALUNKHE – MANAGING DIRECTOR – HUHTAMAKI INDIA LIMITED** **MR. JAGDISH AGARWAL – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – HUHTAMAKI INDIA LIMITED**
MODERATOR:	**MR. MOHIT MISHRA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Huhtamaki India Limited Q4 CY '24 Earnings Conference Call hosted by ICICI Securities. 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 the 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. Mohit Mishra from ICICI Securities. Thank you, and over to you, sir.

Mohit Mishra: Thank you. Good afternoon, everyone. Thank you for joining on Huhtamaki India Limited Q4 CY '24 Results Conference Call. We have Huhtamaki India management on the call, represented by Mr. Dhananjay Salunkhe, Managing Director; and Mr. Jagdish Agarwal, Executive Director and CFO.

I would like to invite Mr. Dhananjay to initiate with opening remarks, post which we'll have Q&A. Thank you, and over to you, sir.

Dhananjay Salunkhe: Yes. So greetings to everyone, and thanks for joining today's call. And so we start with our safe harbor statement that whatever discussions we will have in this call will not have any bearing on any future performance of the company.

So with that, I will start with a quick snapshot on the quarter 4 performance. As you would have seen from the announcement that in quarter 4, our volumes and net sales quarter-on-quarter, that is previous quarter versus current quarter were lower than the previous quarters. But at the same time, if it's compared with the previous year same quarter, there was a slight improvement in the volumes as well as net sales.

But overall, not only for quarter 4, but overall for the year, margin has been significantly impacted and largely due to raw material inflation and the adverse sales, customer and product mix, what we experienced over a period of time, which clearly culminated into having a lower EBIT, not only for quarter-on-quarter, but on year-on-year.

So overall, it has been a bit of a challenging quarter, quarter 4. We do have plans together to revive the situation and focus area will continue to be improve upon our safety performance, which is clearly an important tool, which we use for employee engagement and improving the safety standards across the area of our businesses, sustainability, creating a customer-centric environment where responsiveness is key, and then focusing on the speedy execution of our projects with a clear accountability and how do we succeed in Indian market where there is clearly a challenge in terms of inflation and the underlying volume growth.

During the quarter 4, our team in a pressure sensitive labels had a couple of awards, winning in IFCA, which involved innovative offering in the marketplace such as the security features and the improvement in the metallic and sensory appeal. So -- and we continue to do the innovation, which is relevant to the customers.

With this, I would hand it over to Jagdish, our CFO and Executive Director, to give -- throw some more light on our financials in detail. Over to you, Jagdish.

Jagdish Agarwal: Thank you, Dhananjay. Thank you. Good afternoon, everyone. I'll quickly walk you through the financial performance for the December quarter and 12 months of 2024. Let me touch upon the volume and the sales. So if I look at the volume for the quarter, slightly improved on Y-o-Y basis, however, lower on quarter-on-quarter level. The 12 months volume is almost flat if you compare with 2023.

Revenue for the quarter stands at INR6 billion versus INR5.9 billion we had in the fourth quarter last year, it represents an increase of 2.7%, however it's trailing representing previous quarter, that was INR6.3 billion, so that's a decrease of 5.3%. For the 12 months period ended on December '24, the top line stands at INR24.5 billion versus INR24.8 billion in 2023, a slight decrease in overall top line by 1.2%.

EBITDA for the quarter stands at INR320 million compared to INR618 million we had in the fourth quarter 2023. And in September 2024 quarter, it was INR313 million. So on a trailing quarter basis, we are very close to what we had in EBITDA. However, it is lower than what we have on Y-o-Y basis.

EBIT for the quarter stands at INR182 million versus INR506 million on Y-o-Y basis. And with the trailing quarter, it's INR191 million, so very close to what we have in September quarter. Full year EBITDA stands at INR1.5 billion compared to INR2.1 billion in 2023, it reflects a decrease of almost 28%. And when we look at the EBIT for full year, it is INR1.04 billion versus INR1.6 billion we have in 2023, which also reflect a decrease of slightly higher than 28%, so that decrease is 36% in case of EBIT.

If you look at specific on finance cost, finance cost has decreased on a Y-o-Y basis as entire debt, except ECB was retired in last quarter of 2023. In addition, 50% of the ECB amount, which is almost INR1 billion was repaid in third quarter of 2024. So end of December 2024, we have only ECB, which is reflected into our books of accounts, and that's approx INR1 billion.

And the surplus cash we have, we have invested that into bank deposits and mutual funds, and that is earning a decent returns on an annualized basis. PBT for the quarter before exceptional items stands at INR152 million versus INR444 million in Y-o-Y basis and INR143 million we have in September 2024.

On a 12 month on a full year basis, PBT for full year 2024 before exceptional items stands at INR860 million versus INR1.3 billion we have in 2023. Having said that, the EPS for the quarter after exceptional items at INR1.55 per share. And on a full year basis, it was INR11.65 per share. For full year 2024, the Board of Directors have recommended a dividend of INR2 per share, which is subject to approval of the shareholders at the AGM of the company.

As can be observed, we are seeing a strain into the bottom line despite almost flat top line financial 2024 versus 2023. The pressure on margin has arisen due to the cost inflation, which include raw material inflation, sales and unfavorable product mix, high freight costs due to Red

Sea crisis and a couple of one-off items, one-off item we spoke in the first quarter in the March 2024 on fairly impairment and all.

We are also noticing an impact of global geopolitical on the export side. However, we believe this is a one-off temporary blip and our strategy to focus on medium- to long-term growth initiatives and our resilience will help to see us through the same.

In the overall ecosystem FMCG sector from which HIL derives bulk of our demand, inflationary pressures are impacting demand across most of the segments, barring a few, and it's affecting consumer spending, and this is having a spiral impact. Heightened competition in the domestic market with the small time players entering into the packaging market is also impacting the mix. Things are a bit choppy and even if demand may improve gradually, inflation may still continue to impact margins in this space.

Moving on to debt and liquidity position. Debt equity ratio now continues at 0.1 post ECB repayment in September quarter. Overall liquidity remains strong as we do have sizable credit lines, which are open with minimal utilization. Working capital has improved on a Y-o-Y basis as well as on a quarter-on-quarter basis on account of monitoring of the various levers and acting accordingly. The overall working capital position continues to be comfortable.

While the above sums up the business performance, I would also like to take a moment to reinforce our commitment to strong corporate governance, our commitment to our stakeholders and our commitment to providing sustainable packaging solutions to our customers.

It is our firm belief that with the current strategy of operational efficiency, technology-enabled innovations and realization of value for our products and tools, this will help the company remain competitive in the long run and to drive responsible and profitable growth. As always, we appreciate your continued support and investment in our company.

Thank you. So with that, I hand over the call to Mohit, and then we can go into the Q&A session.

Moderator: The first question is from the line of Deepan Sankara from TrustLine Holdings Private Limited.

Deepan Sankara: So firstly, what is the kind of contribution from blueloop products? And what are the key challenges we are facing in gross margin improvement despite having decent share from high-margin blueloop? And when do we expect high margins coming from blueloop to reflect in financials?

Dhananjay Salunkhe: Yes. So first of all, thank you for your questions, and good observation and happy to see that even externally also, it is seen that our blueloop project or blueloop structures are getting more prominent. And as you rightly pointed out, we moved our blueloop contribution from -- sales contribution from 25% to 27% to 27.5% in last year.

However, if you see still the traction of adaptability of sustainable structures in the industry is still at the nascent stage. So while we are seeing some momentum, we are able to sell some of the low-end blueloop structures, which are basically more towards reducing the plastic usage are being adopted. But as I kind of explained in the past also that we are really looking at a very high premium product replacement in the marketplace, which will catch us higher gross margin.

So that's something which is, I would say, work in progress. We have been engaging with a lot many category of our customers. And there is some kind of activation. At the same time, the adaptability -- rate of adaptability is still lower. So that's the area where we are working with our ecosystem.

Deepan Sankara: Okay. And what is the status update on the level of backward integration we had planned for? And is there any chances from there, we can see some kind of margin improvement?

Dhananjay Salunkhe: So whatever the -- I would say, back integration we speak about, essentially, we are able to use those assets for the alternate purpose. But as I said in the past as well, that the equipments which are basically backward integrated are essentially meant for the high-end blueloop structures.

So right now, yes, equipments are not idle, but they are used for alternate structures where we have a capability to buy in the marketplace and produce in-house. So when we compare, at this moment, it is not really helping us in terms of any accretive margin improvement, but it's like only ability to offset the cash outflow. But at the moment we kind of move towards improving the high-end blueloop structure, that's where the real impact of backward integration will kick in.

Deepan Sankara: Okay. So globally, we have a target of 2030 as making the sustainable production as our target, right? So do we foresee 2030, we -- our blueloop contribution will reach a higher level of contribution. And that will also contribute to our margins improvement. So gradually, year-on-year, the margins can reflect in future, that is the idea in which we are working on.

Dhananjay Salunkhe: Exactly. So I think it looks like you are really tracking well in terms of the sustainability commitment by our overall customers as well. And that's where the direction is. By 2030, most of the -- our end customers are expected to adopt to their sustainability pledges. And we are also seeing that in the regulatory environment across the globe, certain countries are making changes in the regulatory requirements.

I mean I don't want to go into the specifics, but at this moment, countries in some countries in European Union or in certain Southeast Asia are clearly ahead of the curve. And more and more customers are now taking that clue and particularly those are at a global scale are clearly more keen on exploring this opportunity in where we have our solutions available. So yes, there is a direction that everyone want to go towards 2030 to be -- towards that. And that will help us to improve the contribution of our blueloop products.

Moderator: The next question is from the line of Vipul Shah from RippleWave Equity.

Vipul Shah: Sir, very frankly, last couple of quarters and probably if I may say that calendar '24 has been really, really disappointing in terms of the operational performance. Now since you mentioned about a very high focus on corporate governance and the ESG I would just like to draw your attention to one parameter, which as management, sir, you could think about and probably have a discussion with your parent.

So if you see the last 4 years, the software and reimbursement charges, the cost for IT technology services and the cost for centralized services has gone up from INR38.5 crores in calendar year '20 to INR64.5 crores in calendar year '23.

In calendar '22, it was INR49 crores. So again, there was a big jump of INR15 crores last year. And in calendar '24, I'm sorry, sir, the annual report has not yet come, so it's very difficult for us to estimate.

But even if we estimate it's at the same level, if you see, sir, as a percentage of EBITDA from calendar '21 to '24, the reimbursement or the payments which we make to our parent for the software and the centralized services has gone up from 24% of -- rather 32% of EBITDA to 55% in calendar '24.

That is some food for thought, sir. In the times when our margins are shrinking, this is something which has management since you have to go back to the parent, sir. Ultimately, there are minority shareholders also in the company.

Jagdish Agarwal: Okay. Thanks for the question. So let me give you some perspective on that. So first, when we talk about 2 category of transactions, sale and purchase of goods, I think that's not a question cycle we are talking about, we are talking about services. And services are in the form of centralized services or services in the form of either IT cost.

And when we look at -- when we started these charges from a group, and we had gone through a deep study on that. And based on that study, we have hired a consultant and they had did a marketing study and benchmarking. So the process we have adopted in the year 2019, 2020, we have continued with the same process. And before any charges have got accepted, we ensure that the arm length test is carried out. And if it's at arm's length level, then only it will get accepted.

And in the past also, I mean, whatever the tax assessments which we have and all, we are able to justify that all transactions what we have at arm's length. Sometimes when we look at with 1 or 2 financial metrics, it might look in a different perspective. But when we look at the overall scenario, the kind of support we have, the kind of services which we are getting and the justification spot we have, we believe that the charges what we have is for the right services and those meets the criteria of arm's length transactions as well.

Vipul Shah: No, no, I am not denying the arm's length, all that, sir, we understand. It is just a question that today, the -- if I just take one line item, which is the cost for centralized services. Now in calendar year '23, sir, the reimbursement to the parent was INR47 crores. Our EBITDA that year was INR195 crores.

So as a percentage of that EBITDA, which the company earns, if I even add back that INR47 crores to the EBITDA, the adjusted EBITDA comes to INR250 crores, INR260 crores, out of which 25% was paid to the parent. If I were to apply the same criteria this year, although I don't have the number, so I'm just assuming calendar year '23's number, it's assuming the related party is the same.

If I just look at the EBITDA this year, which is INR117 crores, as a percentage to that EBITDA, the payout is as high as 55%, sir. My only request is that the cost of the services, as you rightly said, if you have reviewed it, it has to result in some tangible benefit to the company, right, sir?

If the entire EBITDA or the majority of the EBITDA in a particular calendar is going to the parent as cost for centralized services, then sir, in my humble opinion, I think there is an issue, sir. There is a -- if I may, sir, I think the Independent Director and the Audit Committee has to look into this aspect, sir. That is all I want to say, sir.

As the performances have not -- obviously, it's not in our control. I understand that. It's a very competitive market. So what is in our control are the cost levers, sir. And that is where -- then the management also, sir, in the true spirit of governance has to look at all cost levers and if this is one item, so be it, sir. That is all I wanted to say, sir.

Jagdish Agarwal: Point noted. And definitely, we, as a management also and we make sure that whatever the cost we had, and we ensure that there are a consumer benefit for that. And yes, point well noted. Thank you.

Moderator: The next question is from the line of Rohan from Mahalakshmi Private Limited.

Rohan: Sir, my question is you have 2 types of products now, okay? One is blueloop and the other is the product you are selling. So sir, what's the difference between both products and how blueloop will help you to improve your margin and give a better competitive advantage?

Dhananjay Salunkhe: Yes. So in this -- the blueloop is essentially the product portfolio, what we call it sustainable, which is basically either mono material that can be of a P family or a PP family or only paper or sometimes polyolefin. So these are the 4 areas where we offer the sustainable -- more sustainable laminates to the market. They are more affordable, adaptable and sustainable. That's what the overall product portfolio, which we are offering.

What is different between that and the current one? The current one, of course, there are definitely certain structures by nature, they are mono material or polyolefin based. But most of the other are called multilayer plastic. So essentially, it either involves 2 or 3 layers of different families or aluminum or paper or all this stuff. So that's the difference between what we are selling today and what will happen in going forward.

So what is important is the more and more we start selling the blueloop, first of all, it's a mono material, lower plastic, and it is expected to provide better functionality. So we are expecting that our customers will be clearly benefiting that in terms of reduction of their plastic consumption and then the higher functionality means better premium and better margin. So that's the end goal. With respect to current product structure, we continue to sell that to our esteemed customers. So that continues as our existing, I would say, organic focus.

Moderator: The next question is from the line of Sukhbir Singh from SMIFS Institutional Equities.

Sukhbir Singh: Sir my first question is like what will be the capacity utilization rate for 2024? And what will be for 2025, any further capacity expansions?

Jagdish Agarwal: It's very difficult to comment on the capacity utilization because there are a lot of variables on that. It depends on the product mix. It depends on different category of products and different markets also. But by and far, if you look at, I think we can do more production with the similar capacity. So we do have a room of somewhere between 15% to 20% more production.

Sukhbir Singh: Okay, sir. And sir, like what would be the capex plan for 2025 and '26?

Jagdish Agarwal: So we haven't worked for 2026. But in 2025, we are not planning for any big capex per se. But obviously, when you have managing 10 plants and always there will be one another capex will be there. So we'll continue to focus on making sure that we are having our operations, which is running and we don't have any challenges. There are going to be capex, but not something very big like what we have for blueloop and et cetera, 2025. Yes.

Sukhbir Singh: Okay. Sir, so like on the ECB of approx INR1 billion, so like is there any repayment scheduled in 2025 for it?

Jagdish Agarwal: No, it's not be in 2025.

Sukhbir Singh: Okay. So like...

Jagdish Agarwal: 2027?

Sukhbir Singh: In 2027. Okay. Okay, sir. And sir, my next question is on the innovation solution provider. Like how is it progressing? Like how are the margins and how it will support the top line going ahead?

Jagdish Agarwal: I think the first question, our MD spoke about blueloop solutions or sustainable solutions. That is our key objective that we have to be providing innovative and sustainable solution to our customers in the market. And we are committed and we are working on that. So blueloop was an initiative towards that, we are making a progress, but it is taking time to go into the extent that we would like to see.

Sukhbir Singh: Okay, sir. And sir, we are shifting from multilayer to monolayer and bilayer. So some raw materials used are, I think, at premium cost. So like how much will it impact our margins? And is the -- how is the shift trend is to be in the future?

Dhananjay Salunkhe: So look, I think I can see the curiosity around how these products are going to take shape. So let me put it again in a very simple manner. When we talk about our blueloop offerings, what we are really trying to look at is the end-to-end backward integrated products from -- and then simplification. So we are trying to offer the solutions. Today, we are having like a combination of end customer-specific requirements and then multiple combinations of structures. So simplifying the overall offering.

Then second, as you said, a monolayer or not more than 3 layers having same functionalities and so on. So which will definitely -- we will be ending up having maybe a bit of expensive raw materials. At the same time, because we will be able to do end-to-end manufacturing and second, simplifying our supply chains and so on, we will be able to offer our end customers the solutions which are more affordable to them at the same functionality, while ensuring that there is a justification to get a better margin because we are innovating those products and then investing.

I would say these investments are very large scale across our global footprints and in our Indian footprint. So I would say it would be able to justify the amount of time and money we are investing in. And while we are at the cusp of this, we have both multilayer plan and then a new thing.

And we need to service everything, right? So today -- and that's what probably is reflecting on our '24 year that while we are focusing on future, we need to also serve the current, right? So that increases the cost of servicing our end customers. And that is where, I would say, when it continues to move towards blueloop, I think we will start generating a bit better margins and benefits.

Sukhbir Singh: Okay, sir. And sir, on the low profitability products, which we had restarted in the, I think, previous quarter. So like how are they -- are they like making higher profit as compared to previous time?

Dhananjay Salunkhe: I think this question is need to be seen from a 2 years horizon, 2023, '24. So definitely, in '23, we had a year where we wanted to restructure ourselves, make future ready and then we took a bit of a hard look on low profitability products and so on. But if you see in '24, what has happened?

I mean, you also are monitoring our overall economy and what is happening? Overall market has been softer. There is a demand inequality, right? The demand inequity is like rural demand and then urban and then the end consumer really shifting towards the lower, I would say, down trading typically in that parlance.

So overall demand has moved to the lower tier, and that is where our challenge. And that's why we had to -- not by design or not by our willingness, but because there is a demand, we need to serve it. And that's one of the areas where when we talk about sales mix impacted, it's not because of the -- our willingness, but this is a market requirement. And look, we are there for our customers. So whatever customer needs, we need to service.

Sukhbir Singh: Okay, sir. And sir, with the -- this sales mix issue, so in the export also with the high freight cost and high material cost. So how is the export sales improving? Is it going to improve in the near future? How is the trend for the export sales?

Dhananjay Salunkhe: Yes. So export also is a very important facet of our product mix. And in 2024, I would say export remained stable in spite of having Red Sea influenced challenges on vessel availabilities or the sea freight and so on.

So we were able to work with our overseas customers to ensure that their supplies are not impacted. And considering the long-term relationship what we had with our customers, I mean, we had to really take some calls in 2024 that look -- the customer relationship are for the years, right? So 2024 a year where they were also impacted. So we had to really take some financial decision on pricing and so on, but we ensured that the export remains stable.

But going forward, considering that what's happening as a tariff, I don't want to go any country-specific, but you know you are monitoring the market. There are definitely chances that India as a whole may emerge as a net gainer by whatever is tariff situation happening elsewhere in the globe.

So we are confident and actually looking forward that we will have some opportunity to increase our export share by, one, by external positive situation. The second the overall -- I mean, the forex benefit.

And third, our internal effort because we have also became now very closely coordinated global unit where we have a presence in Southeast Asia, presence in Africa region, EMEA and Europe. So we are taking help of our other regional teams to grow. So there is a good opportunity and plan around improving that in export markets.

Sukhbir Singh: Okay. So sir, from previous contribution from export of around 30%, can we expect the same trend in CY '24? And going forward, can we expect it could reach to 45% or near that in the future?

Dhananjay Salunkhe: So it is definitely a very good question, I would say. Yes, there would be trend which will be improvement. I can't say whether it will be 45% or so, but there is -- as I said, 3 things: external positive environment; second, the forex; and then third, our own push. So yes, all these 3 things put together, there will be a trajectory where exports will be a better proportionate than our overall sales mix.

Moderator: The next question is from the line of Rajkumar Vaidyanathan from RK Investments.

Rajkumar Vaidyanathan: Sir, just a few questions. So first one on the margin compression, the reason that you mentioned is due to inflation -- raw material inflation and the product mix. So I just saw your parents numbers as well. Your parent is able to report almost ROA of almost 13% to 14%, given that they are based out of Finland. And with that kind of an economy, they are able to report that kind of return on a consolidated basis.

So why we being in India, we are not able to pass on the cost. And I can understand this inflation affecting for a quarter, but it cannot be the -- the same comment cannot appear quarter-after-quarter. So I just want to know what is the visibility you have in terms of passing on the cost and the margin expansion. So do you think it will happen 2 quarters away or it is more a year away? Or when do you think you will come back to your normal margins?

Dhananjay Salunkhe: Yes. I think this is a good question, and thanks that you are also observing our parent performance and happy to note because today only we announced and which is actually going in a very good trajectory. And so I think this explains a bit of a commentary that I made before that we as a company and as a segment at a flexibles packaging, we're at the forefront to deliver better, I would say, results to our parent company. And why parent company done better?

Of course, as you can imagine, we are having a presence in 3 segments. And by the way, coincidentally, today, only we announced the split of 1 segment into 2. So we will be focusing on fiber packaging, then fiber and food service and then North America we're on the Gofood and then we are part of flexibles packaging.

While everything is coming together, the other products are basically end consumer oriented, where we have a higher pricing, I would say, flexibility and passing on to the prices as and when. When it comes to flexibles packaging, what happens at a global level, we have certain agreements with our customers.

And then also adaptation of a blueloop elsewhere has been better than what is happening in India. And third, the structures what we sell elsewhere, let's say, in Southeast Asia or in Europe are more complex, premium, and that's where the stickiness is with Huhtamaki.

When it comes to India, and then that's where you can imagine the difference in the market, the price points and the competitive nature of the Indian market, where if we look at our product structures and product constructions discreetly, we do not have a presence -- our market is clearly evolving in that area where the retorts or pet care and so on, which will grow in future. And that would be one of the critical offering from Huhtamaki to the India. And that's where the large areas margin happens -- margin comes from.

The current portfolio where we see that the margin got deteriorated is this -- as I said, there was definitely a softness and then the demand inequality where demand is currently more from a lower-priced products where the structures are, I would say, very commodity structures.

And our forte, our Huhtamaki's port is not really a commodity, but the premium one and niche one, right? And that's where the challenge. But I can see that now the demand coming back strongly. Our end customers are also having some positive sentiment. So we shall see that in future quarters. We should see some revival.

Rajkumar Vaidyanathan: Okay. Sir, when you invested in your blueloop technology, did you anticipate that your margins will compress for the some quarters? Was that something which you envisaged early? Because you said you are anyway producing what customers want. But now you are telling the blueloop technology will take some time for the customers to adopt. So was there any difference between what you envisage and what is actually playing out?

Dhananjay Salunkhe: I would say answer is yes and no. Because we go back to the business case 3 years ago or maybe at that point of time versus 4 years ago, and then now. You can clearly see that certain assumptions were wrong. But at the same time, at that point of time, those assumptions were absolutely correct because we cannot predict the future.

Now we can say that, when I go back and look back, maybe we could have planned differently. But I think largely, we have done right things. That's clear. Only challenge is that how we can accelerate adaptation of these thin Indian conditions because we can clearly see that the adaptation of our blueloop structures in elsewhere in a developed market is far better and far I would say, advanced than what -- when it comes to India.

Even for the same customers, some customers are global. So they are adopting the structures in advanced countries or developed countries, but they are still having some views on India because they are going by the regulations.

So I think, as I said in the past also, changes in regulatory frameworks would be critical, and that's how customers are playing on, and then that's where we will be also ready. So we are ready with all our solutions, all our offerings, a lot of engagement with various -- not only with the customers, but various ecosystem partners to really see that how can we really go close to the business case.

Rajkumar Vaidyanathan: Okay. Sir, lastly, what is the -- I see a lot of investments coming up on polylactic acid packaging. So do you think that will be a competition for the blueloop mono material package?

Dhananjay Salunkhe: Well, look, I mean, I'm not clearly a subject matter expert on formulations. But then whatever my limited knowledge, that stream is more on a biodegradable material, whereas -- and this is more on the plastic side.

And if you see the difference, basically, we talked about recyclability, whereas PLA-based possibly more towards the biodegradability, but the limitations on that may be -- and again, I'm repeating. I'm not a subject matter expert, but on a barrier properties, what that product can offer. So I think we are clearly talking 2 different stream of the products.

Rajkumar Vaidyanathan: Sir, my question is, will it prolong our return generation given that will it be a competition for the blueloop technology, which is also on a sustainable platform. So that is my question. Because if you think that will be a competition for you, then you are saying that our margins will remain compressed for a long time to come.

Dhananjay Salunkhe: I do not see that as a competition per se. That's what I said. The PLA-based products most likely may have a different barrier properties, because our blueloop umbrella products are giving the barrier properties as good as anything currently available in the market. Let's say, like some of our products are having a capability of providing the barrier properties of aluminum foil, okay? So that's the superiority we are talking about.

So if I compare the previous product that you mentioned, PLA-based, I don't think that would have a capability to match that kind of a barrier property. So it's like a comparison of apples and oranges. So I do not see that. But look, I mean, as I said, PLA is a specific product and the technology and having a certain chemistry, which we -- I'm not maybe subject matter expert to respond to you.

Rajkumar Vaidyanathan: Sir, the reason why I ask this question is because I see a lot of state governments are giving huge subsidy, even like if you see in UP, Balrampur Chini has put up almost INR2,500 crore plant, whereas INR1,000 crores subsidies is given by the state government. And similarly, there's a huge facility coming up in Karnataka as well. So that is the reason I asked.

Dhananjay Salunkhe: Yes. But also please bear in mind this PLA and all this is must -- sometimes it may also interact or influence the food chain. So the scalability of the PLA-based structures or where the sources will come from will be also critical bearing. That is one.

The second one is also the -- by the way, when we talk about sustainability, we are not only talking about our products and so on. In fact, today, if you see the flexibles packaging is one of the most energy-efficient packaging product available because of the nature, because of the recyclability and the lowest carbon emissions when we produce those. So all these aspects will play when we talk about the large-scale influence or impact.

So right now, I think both of the products are at a nascent stage. They may have their own niche. And then -- but large scale, I do not see that it may be -- it may not be competing with what we are offering in the marketplace.

Moderator: The next question is from the line of Rajkumar Vaidyanathan from RK Investments.

Rajkumar Vaidyanathan: Sir, just one housekeeping question. So on the balance sheet, I see almost INR300 crores of cash. So you said there are no much of capex planned for the near future. So do you have any plans for this cash?

Jagdish Agarwal: As of now, we'll continue with that. And in due course of time, we'll decide how we are going to deploy that. So no concrete action plan at this point of time.

Moderator: The next question is from the line of Ashish Shah from Business Match.

Ashish Shah: Sir, on this blueloop contribution to sales, you mentioned it hit about 27%. Can you share a likewise number for 2023 year ending and '22 year ending?

Dhananjay Salunkhe: So '23, it was around 25%. And '22, I think I remember around 22%. So it's like we have moved a couple of percent points every year. But as I said maybe additional information that even those structures are basically at the end of the pyramid. So there is no big differentiation. So just to give you that -- that main differentiation will come from when we really start selling the high barrier complex products.

Ashish Shah: Sure. And the one that you're selling currently is how much percent premium to the existing traditional packaging products?

Dhananjay Salunkhe: Not really. It's basically replacement.

Ashish Shah: Okay. Understood. And sir, within the blueloop, is there a higher share to exports or not really? It's aligned to our companies.

Dhananjay Salunkhe: No, similar. I think -- in fact, I would say blueloop, because we have invested in India, our target is Indian market because we have another 4 locations where we have already invested, like the other investment is in Istanbul, then the Europe and then Southeast Asia. So when it will come from a blueloop, I think we will be focusing more on a regional model.

Ashish Shah: And sir, last question from a customer's perspective, what are some of the barriers for them to not being able to move to the higher-end complex blueloop products?

Dhananjay Salunkhe: Can you repeat your question, please? I'm sorry.

Ashish Shah: What you are saying that the higher complex nature products of blueloop technology, it's yet to get accepted by the customer, correct?

Dhananjay Salunkhe: Yes.

Ashish Shah: So, what are some of the hindrances or barriers or thoughts that the customer has for not moving to there?

Dhananjay Salunkhe: Yes. So I think good question. Look, there are maybe -- customer-to-customer, it varies. So for example, I can give an example of large global customer. Their testing protocols, how they test not only in the -- on their machines, but in the market, the confidence on this because this is new to market, right? So that is one. It is taking time.

The second one, once they say, "Hey, we want to go ahead with you." That means then they want to go globally, right? So then global protocols and then the time lines and so on. So that's -- and then what happens is also there are -- some iterations are happening because we are dealing with the product which are first to the market and a lot, and for each iteration, we follow from the, I would say, ground zero.

So one is a technical or protocol-related challenge. The second one, sometimes some customers know that it is the right thing to do, but then they are waiting for some regulation to push because some of these solutions are cost plus. I mean most of our customers always talk about cost plus. So the willingness to pay significant premium is still getting developed. And we are -- that's where our efforts are going in.

But then that's the second one that some customers are waiting for regulatory push because there is some cost involved. And then the third one is customers know that this will be working, but then they also need to do investments. So they are also trying to get their investment plan, their business plan and test that. So three kind of areas where I would say, if not apprehension about it, but then various challenges culminating together of a lower rate of adoption.

Moderator: The next question is from the line of Sukhbir Singh from SMIFS Institutional Equities.

Sukhbir Singh: I have only one question. We are supplying to in food and dairy essentials in FMCG industry. So can you please provide us how is the demand from there in the urban and the rural market? Is it under pressure? How is it going on?

Jagdish Agarwal: So when you look at -- I mean, see you have seen the news which keeps coming and all, there's is a pressure on the demand. And if you look at the food inflation was pretty high in the last couple of months, and that had an impact on the consumption. But other side, if you look at rural economy is showing some promising improvement. However, urban is taking time. So expectation is that when we read the articles and something is there really expected that urban is also going to come back. But when? We don't know yet. But good traction from the rural economy on the consumption side.

Moderator: The next question is from the line of Rohan from Mahalakshmi Private Limited.

Rohan: Sir, I want to know about your tube laminates business and what's the future plan and investments for it?

Dhananjay Salunkhe: Okay. That's like a specific question. I mean I'm not sure. I mean -- but good happy to answer. So tube laminate is also one of the critical product portfolio we have. And maybe I would say this business and this type of customers are one of the forefront to adopt our blueloop structures.

And so that is going in the right direction. We have a facility across a couple of facilities where we manufacture these products. And while the overall sales as compared to the higher top competition is still very low, but that is one of the key focus area for us to also grow in a market. And we have a tube laminate business primarily right now focusing on domestic, but there is also a plan going forward to expand to the export areas in neighboring countries.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Dhananjay Salunkhe for his closing comments.

Dhananjay Salunkhe: Yes. So thank you all who joined this call as well as the organizers and ICICI. This is very good to see that there is a lot of curiosity and questions, and I appreciate even though those are sometimes very difficult and direct questions, but we will continue our engagement and answer to the best of our abilities and looking -- ensuring that there is no forward-looking statements as well as certain areas where we need to keep it within the boundaries.

We continue to do that. And looking forward to see that we take some positive steps here on. I also want to appreciate and thank my finance team, CFO, Jagdish and Abhijaat, to be here and answering all the questions and making sure that we have a very regular cadence with our investor community. So thank you very much, and I appreciate all your questions and the support going forward.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.