



October 29, 2024

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 3<sup>rd</sup> quarter and nine months ended September 30, 2024.**

Dear Sir/Madam,

This is further to our letter dated October 25, 2024, whereby the Company had submitted the link to the audio/video recording of the Earnings Call held post announcement of the unaudited financial results for the 3rd quarter and nine months ended September 30, 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 be available on Company's website at [www.flexbiles.huhtamaki.in](http://www.flexbiles.huhtamaki.in)

Kindly take the same on your records.

Thanking you,

For **Huhtamaki India Limited**

Abhijaat Sinha  
Company Secretary & Legal Counsel

Encl.: As above

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“Huhtamaki India Limited  
Q3 CY '24 Results Conference Call”  
October 25, 2024



**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 Huhtamaki India Limited Q3 CY '24 Results 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 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 touch-tone phone. Please note that this conference is being recorded.

I now hand over the conference over to Mohit Mishra, thank you and over to you, sir.

**Mohit Mishra:** Good afternoon, everyone. Thank you for joining on Huhtamaki India Limited Q3 CY '24 Result Conference Call. We have Huhtamaki India Management on call, represented by Mr. Dhananjay Salunkhe, Managing Director; Mr. Jagdish Agarwal, Executive Director and Chief Financial Officer.

I would like to invite Mr. Dhananjay to initiate with the opening remarks, post which we will have Q&A session. Over to you, sir.

**Dhananjay Salunkhe:** Thank you. Good afternoon, ladies and gentlemen. With our tradition, this is a quarter 3 call. And before we start our discussions let me start with our safe harbor statement that whatever we discuss during this call, cannot be related to any future events or financial performance of Huhtamaki as such. So with this, I'll kind of start with quarter 3 performance.

As you would have seen in quarter 3, we had an improvement in the volumes and net sales quarter-on-quarter. The net sale up by around 2%. However, the margins were significantly impacted due to adverse customer mix, adverse products mix and inflation in our raw materials. And in this quarter, the focus was more on to protect the share of wallet and market share where the end consumer demand was subdued for various reasons. And as you would have seen, most of the large FMCG companies have also reported similar challenges in the end consumer demand.

Having said that, we have our strategy in place to address our competitiveness in the long term and create a path for profitable growth. And we continue to drive our innovative product portfolio driving our world-class operations and strengthening our manufacturing and customer excellence.

So, we have been investing in the operations and technology, where you can see that there is a clear impact in terms of investments. At the same time, due to the certain commitments from our end consumers or brand owners where we -- their sustainability goals are kind of getting slightly shifted. So, we are seeing some headwinds in the short term.

At the same time, we continue to push forward our sustainability journey, along with introducing the sustainable packaging solutions which are in line with our customers' sustainability pledges, I would say, and which are very slightly delayed, but we have a strong belief that we shall find ways to get things going.

So, with this background, I can ask -- request our CFO, Jagdish to take us through to the financials of quarter 3.

**Jagdish Agarwal:**

Yes. Thank you, Dhananjay. Good afternoon, everyone. With Diwali round the corner, let me start by wishing everyone safe and happy holidays. Diwali being the festival of lights, I hope it brings joy and happiness to one and all. I'm pleased to host this Q3 2024 Investor Call, along with our MD, Mr. Dhananjay Salunkhe, and I'll take you through the financial performance for 9 months and for September quarter.

With regard to financial performance, like Dhananjay said, the volumes for the quarter have improved on quarter-on-quarter basis, relatively flat when we compare with the Y-o-Y. However, volume for 9 months ended September '24, are almost flat versus the corresponding set of previous year. Revenue for the quarter stands at INR6.3 billion versus INR6.4 billion in Q3 2023, representing a decrease of 1.5% and 6.2 billion in the trailing quarter, which is almost 2% increase. On a 9-month period, the top line stands at INR18.5 billion versus 19 billion during the corresponding period of 2023.

Again, representing a decrease of around 2.5%. EBITDA for the quarter stands at 313 million compared to 488 million in Q3 2023. And for June quarter, June 2024 quarter, it was at 383 million. On the similar lines the EBIT performance was -- EBIT for the quarter was INR191 million versus 379 million in Q3 2023. And in June quarter, it was at 263 million. EBITDA for 9 months is INR1.19 billion compared to 1.48 billion during the 9 months 2023, reflecting almost a decrease of around 20%.

When we look at our finance cost. Finance cost has decreased on Y-o-Y basis. We have repaid almost all the debts, external debts last year, except ECB and the surplus cash has been invested into term deposits and mutual funds, which is yielding a return of 7% plus. During the quarter ended September '24 we have repaid ECB of INR1 billion. And with that, the only debt we have in our portfolio of ECB 1 billion.

Profit before tax for the quarter before exceptional items stands at INR143 million versus INR304 million in Q3 2023 and INR213 million in Q2 2024. Profit before tax for 9 months 2024 stands at INR707 million versus INR861 million for the similar period last year. Similar movement in the net profit after exceptional income and after tax for the quarter is INR117 million versus INR323 million in Q3 2023 and 385 million in June quarter.

With that EPS for the quarter at INR1.45 per share. Net profit after exceptional income and after tax for 9 months at INR763 million versus INR822 million in 9 months 2023. EPS for 9 months stands at INR7 per share. Now it's very clear that we have seen the challenges in the bottom line in spite of relatively flat volumes and minimal movement into the top line.

There has been pressure on margins due to a host of reasons, which includes raw material inflation, supply chain constraints and sales and product mix to name a few. Global supply chain disruptions emanating from geopolitical issues are also having an impact on the export as well as having an impact on import of certain raw material in the cost. And we believe this is a temporary blip. However, our strategic focus is definitely going to help us to drive long-term growth initiatives, and I'm sure this is going to help the company in the future.

We talk about overall market and demand situation in the September quarter. In our overall ecosystem of FMCG sector from where we get most of our demand, inflationary pressures had impacted the demand across most of the segments, affecting the consumer spending, and this is having a spiral impact on overall performance of the company.

Even though rural demand is recovering, but urban demand continues to be under strain. Things are uncertain and even if demand may improve gradually, inflation may still continue that may have impact on the margins. So, there are a lot of uncertainty in the marketplace into the economic environment at this point of time.

When we talk about our liquidity position, debt-to-equity ratio is pretty strong. It is at 0.1 and it was 0.2 previous year same quarter. The gross debt when we look at, it's only 1 billion, which is on account of ECB. All external borrowings have been repaid last year. Overall liquidity is pretty strong from a cash flow point of view. And there are open credit lines, which are not utilized. Those are with us from a cash flow management point of view.

When you look at our working capital, working capital has improved on a Y-o-Y basis as well as quarter-on-quarter basis on account of various levers and overall working capital management when we talk about with the payables and receivables and all.

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. It is our belief that with our core strategy of operational efficiencies, technology-enabled innovations and realization of value for our products in place, 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. With that, I'm handing it over to Mohit.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Deepan Sankara Narayanan from TrustLine Holdings Private Limited.

**Deepan Sankara:** So firstly, we would like to understand more about the backward integration process of blueloop products in more detail. In the normal flexible packaging, basic material starts from PE. So how will it be different in case of blueloop? And what kind of gross margin improvement expected from this blueloop product?

**Dhananjay Salunkhe:** So, I'll take this question. So look, when we envisaged our blueloop products, we are not only looking at film as such, right? So, we are looking at the solutions. So, we are looking at the sustainable solutions and the film is one of the part of it. So, the solutions which are film and then the barrier properties, which we generate by the metalization and then the -- all other coatings is the part of what we offer to our customers.

So, when we are investing in these processes, we are investing across the spectrum of the manufacturing processes and not only in the film. So that's one aspect. And that's where we are moving ahead in the -- our product portfolio where we are offering the solutions under the

various brands. And so that's one aspect. The second aspect is, yes, as these are innovative solutions, so we definitely have plans of having accretive gross margins than the current one.

**Deepan Sankara:** Okay. So, because these are monolayer materials as compared to the non-sustainable ones, which has a multilayer material. So, we save a lot of material cost in case of moving to the sustainable solutions. That is also one of the key reasons for higher gross margin expectation here?

**Dhananjay Salunkhe:** I would say the answer is both. One, as you said, yes, the -- because we are moving from multilayer to monolayer or bilayer. So, there would be savings in the material cost. At the same time, the materials which we had to use are basically the unique raw materials. They are sourced from unique suppliers, and they are expensive than the current raw material.

So essentially, when there is a reduction in the overall plastic or PE content, overall cost structures are getting slightly changed. At the same -- yes, that's the reason why we may not be able to end up passing everything through the chain. And so what solutions which we are right now offering are basically slightly at a higher premium, but they are surely giving a lot of reduction to our end customers, which are their targets to reduce the plastic impacts to the environment.

**Deepan Sankara:** Okay. Lastly, so we discussed that blueloop contributed 25% to 27% of sales during last quarter. So, what is its contribution during current quarter? And why there were not much gross margin improvement there despite we have added value-added...

**Moderator:** I'm sorry to interrupt, sir, but can you please rejoin the question queue for a follow-up question?

**Deepan Sankara:** This is the second question, ma'am.

**Moderator:** Okay. Sir, please go ahead.

**Deepan Sankara:** So, the blueloop, what kind of contribution we had during this current quarter? And despite having 25%, 30% contribution, why there was not visible gross margin improvement so far?

**Dhananjay Salunkhe:** Yes. So as our CFO explained during his remarks that the blueloop contribution continued to be around 27%, 28%. But this quarter, we saw that apart from the blueloop, there is a challenge on the end customer demand, which basically revolves around the product mix. And as you can imagine, we are the part of a chain where we have to also mimic the end of the -- end consumer demand.

And you would have read in the newspaper that in India, currently a challenge in the end consumer demand and customers -- our customers have -- has to really push for the, I would say, their product portfolio. So, when we have serviced those demands, the product mix has kind of got adverse. So that's the reason why we could not see the visible improvement in the margin profile.

**Moderator:** The next question is from the line of Saurabh Patwa from Quest Investment Advisors.

**Saurabh Patwa:** Sir, 2 questions. So one is, can you just highlight -- I think in the presentation and press release and in your opening remarks, you highlighted that you have a strategy in place to achieve long-

term growth and sustainable profits. So, can you throw some more light on that? Is it largely linked to blueloop? Or is it something more than that? It is -- how much of it would be from market share gains from your existing -- from your wallet share increase in existing customers? How much of it is from wallet in your market share gain?

And the second question, sir, on -- in last 4 quarters, so 4 quarters back, I think we did a lot of exercise in 2 terms. One was on product rationalization where we moved out of a lot of products where we were not making the kind of margin profile which we wanted. Subsequently, we also did a lot of work on our associated costs, which actually moved -- which we had to curtail because we lost a lot of -- we decided to come out of some part of revenue. So -- and I think subsequently, there was 1 or 2 quarters when we saw some margin improvement.

However, I think that remained only for a while. And since -- so as you highlighted that margins are again coming down because of your raw material product mix deterioration. So maybe you can just throw more highlight what's going wrong and how you plan to change it?

**Dhananjay Salunkhe:**

Yes. So I think your questions are well thought through. Thank you for this. So first question, our strategic intent. Clearly, it remains that we want to gain the market share in all the markets that we are operating. And blueloop continues to be a very important pillar of that. So that's clear, okay?

So -- but apart from blueloop, there are 3 to 4 areas where we would want to focus. And as you can see that we are the global company. Overall, our sales turnover, approximately 70-30 ratio, like 70% is domestic, 30% is exports. So what we are planning, of course, blueloop is for all the markets.

In domestic market, as you know, Huhtamaki is an innovative player, and we continue to launch the new innovative products. So there, what we are trying to do is, focus on where to play. That is the markets where we have a strength -- I mean, product portfolios, which we have a strength and there is a demand in the market. So that's the focus right now we are creating, and that's where we have already had certain products, which are, again, from the blueloop umbrella, we will be focusing in the domestic market.

And the idea is basically to increase the market share and increase the share of wallet within the existing customers. That's the second strategy. First is, of course, blueloop. The third one is continuously focusing on our operational competitiveness. So driving operational excellence through -- and as I said, you would have seen last year, the first important strategy execution we did was the network optimization, consolidating our manufacturing footprint.

And now we are kind of moving ahead in that internally. So there are many -- the operational improvement projects which we are taken in hand and which are basically going to give us some value additions, which we will be working with our customers to kind of drive the benefits for mutual benefits. So that's the third aspect.

And then continuously improving our talent pipeline, which will take us through the next phase of growth. So that's something which we are -- so it's basically a 5-pronged approach and not only blueloop, but blueloop remains in the center of everything.

**Saurabh Patwa:** And sir, second question, sir, on your margins falling from last 2, 3 quarters despite several steps which you have taken, which you have been highlighting in the last two calls, like product mix improvement and associated cost reductions like employees, which were -- the reduction in number of employees, your -- reduction in your manufacturing points, which would have resulted in cost savings, which were visible maybe a few quarters back for a quarter or 2, but...

**Dhananjay Salunkhe:** Yes, so this is where the business dynamics comes in picture that if you see this year brought certain more challenging external market situations that -- the Red Sea crisis has impacted significantly the supply chain around the globe. And we -- as we are globally -- a global company and initial few -- first couple of quarters, we had challenges on outward vessel availability also.

But later part of that, we also had certain challenges for inward, right? So that's one large piece which was really impacting this year. And second is the overall, if you see in first 9 months in India, the FMCG companies are reporting, I would say, less than expected results.

And that impacts us as well, right? So we are a part of ecosystem. And as you would have seen few months ago, one of the large FMCG CEO stating that there is no price in the market. And once there is no price in the market, what happens is the focus -- our customers also focus on the squeezing out the price in the ecosystems. And we are the part of that.

So we continue to face that headwinds on that. So that's the overall situation. So things changed in this year. And then that's where we have to also change our strategy. And this year, we have to clearly focus on maintaining the share of wallet at existing customers.

And then we saw that there is a headwind in the new business development or adding the market share. So that 3 aspects kind of impacting our overall plans, what we had envisaged in 2023 and moving forward. But yes, this is a business dynamic, and we have plans in place. And hopefully, we will be able to come back.

**Saurabh Patwa:** Sir, just a related question, if you allow, can I just chip in one more question, sir, if you allow.

**Dhananjay Salunkhe:** Go ahead.

**Saurabh Patwa:** Yes. Sir, I think from the commentary of most of the FMCG companies it appears that the challenges are more on the food front. And so if I'm just trying to connect, is our mix also inclined more towards the food part of the FMCG rather than the beauty and personal and that's where we have got impacted more -- is it -- this understanding a bit fair and especially including even beverages, which has also got impacted?

**Dhananjay Salunkhe:** Absolutely. Your understanding is right.

**Saurabh Patwa:** So how do you see the things improving? What would be the key driver, sir?

**Dhananjay Salunkhe:** So innovative products is a key driver. And as you can see that regulations are getting changed or made and our customers have certain pledges around their sustainability goals, right? And what we are doing is basically helping our customers. And some of the customers' pledges are getting maybe slightly delayed, and that's where the headwinds we are challenged on. So



innovative product is one of our critical piece of strategy. That's where we see growth coming in.

**Saurabh Patwa:** So how many food and beverages, just in the kitty sir, and then I'll just join the queue.

**Dhananjay Salunkhe:** I'm not sure, so Jagdish you have a....

**Jagdish Agarwal:** Normally don't go into that category level of...

**Saurabh Patwa:** Just broadly sir, just on a trend basis sir.

**Dhananjay Salunkhe:** By the way, if you need to -- then if you see Huhtamaki, we call ourselves as a food company -  
- food packaging company, so you can then...

**Saurabh Patwa:** Okay, understood sir.

**Dhananjay Salunkhe:** Food and daily essentials, okay, food and daily essentials. So essentially, that's the focus area.

**Moderator:** The next question is from the line of Saket Kapoor from Kapoor Co.

**Saket Kapoor:** Sir, if you could just explain to us the impact of -- on margins on account of the decline in raw material prices. How have the raw material prices behaved and that has led to the depletion of margins in this quarter. If you could just quantify or give us an understanding, that would be better sir?

**Jagdish Agarwal:** Maybe I can take this question. Mr. Kapoor, I think we have seen on a primary to RM where we have seen a high inflationary impact. One is the BOPP and other is the polyester prices. And these 2 are the key RM, key raw material for our production process, and we have seen a significant increase in the prices for these 2 raw material especially.

**Saket Kapoor:** Can you quantify how -- what have been the price trends in percentage terms for the BOPP and the polymers, I think you mentioned in percentage terms? And how are the price trends currently?

**Jagdish Agarwal:** I mean if you look at, there is an increase of almost 10% to 15% for these 2 products.

**Saket Kapoor:** Okay. And our basket of raw material consumption percentage terms. Sir, how much percentage do these two products contribute?

**Jagdish Agarwal:** It's a sizable, but again, we cannot talk specific RM consumption per se, but I think it's a sizable chunk.

**Saket Kapoor:** Okay. Majority of the sales.

**Jagdish Agarwal:** Yes, it's sizable.

**Saket Kapoor:** Okay. And just an understanding further here. So we are not able to retrieve the inflationary part, the gain from our customers because of the lower demand and because of the competition. Is what you are trying to...

- Jagdish Agarwal:** No, it's a mix of many things, sometimes you have a time lag. Sometimes you'll have export business, sometimes you have contract timing and also a mix of element of that. But definitely, yes, the entire recovery is not perceiving to the same quarter where you have inflation.
- Saket Kapoor:** Sir, just to conclude for this point, have we taken any price hike just to commensurate the inflationary impact going ahead? Or are we according to the market trends continuing with the same for the ensuing quarters also?
- Jagdish Agarwal:** I mean when you look at the market dynamics, demand and supply situation and the competitiveness in the market. So definitely, we have to go to level of the market, and we have to look into our contract. And accordingly, we will take our decisions on this movement recovery and all.
- Saket Kapoor:** But what is the trend, sir? What are we exactly doing in terms of restoring the margins again?
- Jagdish Agarwal:** So if you look at like -- when you look at the demand and supply situation, definitely, there is a capacity in the market and demand is not growing. In that context, we have seen even the third quarter, demand is not coming from other market, and also there -- definitely there is a pressure and the competitive situation is really, really becoming more aggressive.
- Saket Kapoor:** Okay. And second question is on the other expenses line item. Here also, we see that the line item -- I think INR115 crores vis-a-vis INR100 crores for Q-on-Q and last year also INR94 crores, INR95 crores. So, what has led to this increase in other expenses, if you could explain, sir? And lastly, sir, in terms of our noncore assets, disposal of them, what is the update? What are the assets under sale? If you could just give some color?
- Jagdish Agarwal:** So other expenses when we talk about when we look at this quarter versus the previous quarter, largely, it is happening, 2 more elements on that. One is that the freight cost is high in this year, and we know that because of Red Sea crisis and all the vessel availability, the container prices are pretty high. So that's one key element on that. And then we had some impairment on assets, and that also had an impact. So, these are the 2 major reasons. And even we have some repairs related spend also.
- Saket Kapoor:** Impairment, can you quantify?
- Jagdish Agarwal:** Sorry?
- Saket Kapoor:** Impairment, can you quantify for our benefit, sir? How much is it?
- Jagdish Agarwal:** It's around INR4.5 crores this year.
- Saket Kapoor:** INR4.5 crores. And for the 9 months, how much we have done impairment on assets?
- Jagdish Agarwal:** This is for -- whether you talk about 3 months or 9 months, it's more or less same number.
- Saket Kapoor:** Same number. Yes, sir, please continue answering the next part.

- Jagdish Agarwal:** And core assets, what we've already declared that assets held for sale. I think we are done all. So, there were 2 land parcels, which we have done the deal in the last year. One was for Ambernath and one for Thane. Other than that, we have not declared anything assets held for sale.
- Saket Kapoor:** Okay. We have concluded whatever was planned, sir. This is what you are saying?
- Jagdish Agarwal:** Yes.
- Moderator:** The next question is from the line of Parimal Mithani from Credential Investments.
- Parimal Mithani:** I just wanted to understand in terms of blueloop, how do you see the traction going on? So, I'm thinking about this. Is it for your managing expectations? And in terms of...
- Dhananjay Salunkhe:** Sorry, there is a disturbance. I'm not sure we are getting you properly. Can you repeat?
- Parimal Mithani:** In terms of blueloop, so, how is the progress in terms of the product pickup in the market? And how vis-a-vis competitive are we?
- Dhananjay Salunkhe:** So, first of all, the investment what we have made in the blueloop is going in the right direction. So, all the equipments are up and running. They are delivering expected the product features, what we invested for. And if you see the -- we are globally -- as I would have given this in the past conference calls also that we have invested in different, different countries, similar equipments.
- And we are seeing that there is a good traction coming in, in the developed markets, very clearly that whatever product portfolio we have offer, on offer, and there is a clearly receptibility in the developed market. And that gives us a very good confidence that eventually, we will have a further traction in India.
- And we have good successes in India as well in certain product categories. However, the rate at which we wanted to introduce the products in the market has been below our expectations and the reasons were explained in the previous questions that because those delays are due to various customers also kind of taking their time in terms of product qualification, the shelf life and then their overall sustainability goals. But there is a positive development on the sustainable solutions adopted -- adaptation by the end customers and clearly, good signs in the developed market.
- Parimal Mithani:** Okay. And sir, how we fare in terms of competitors, do they have a similar product in the market? Or how are we pricing -- how are we moving in terms of differentiated products?
- Dhananjay Salunkhe:** So, first of all, the differentiated products are clearly, I would say, first in the market. And the second is that the amount of capacity invested by Huhtamaki globally and in India is I would say not a single competitor had invested in such a large-scale capacity. So, there are 2 clear differentiators. One, products clearly differentiated, so both areas, we are far ahead of the competition.
- Moderator:** The next question is from the line of Akshay Badjate from Merisis Advisors Private Limited.

- Akshay Badjate:** So just continuing with the question from the earlier participant on other expenses. So, you mentioned that the delta that we have had quarter-on-quarter as well as year-on-year is about INR15-odd crores on the other expenses, out of which you've explained about INR5 crores, right? Could you also explain the additional INR10 crores, how much of that is being contributed through higher freight costs?
- Jagdish Agarwal:** Akshay, there are many components of that when we talk about other expenses. And if you go through annual report of last year, you'll find other expenses will have around 20 to 30 line items, power, fuel, consumables. There are many, many line items on that. So, it's very difficult to go one by one on that. But one-off item which we spoke about primarily is the impairment and the other would be a freight. But not only these 2 items, but the combination of all the expense put together that's the overall impact we had.
- Akshay Badjate:** No, that's correct, sir, but I'm asking specifically about freight costs. How much did it really spike by in the last quarter? And has it now normalized in this quarter?
- Jagdish Agarwal:** It is getting normalized, but still it is not like the way it was probably last year, and it has an impact. When we talk very specifically, I'll say that maybe at least the impact would be in the range of around INR25 million to INR30 million for this quarter.
- Akshay Badjate:** Okay. And do you think that freight costs have now begun to normalize? Because from what we have been reading in terms of data, there has been quite a sharp correction post July in freight costs out of India.
- Jagdish Agarwal:** Yes, we have seen that. But again, it's very difficult to comment what will happen tomorrow. I mean this year, we have seen there are 2, 3 cycles where it went up, came down, and went up and kind of situations. But it looks like that it should normalize soon.
- Akshay Badjate:** Okay. My second question is with respect to blueloop. So, you mentioned that blueloop was about 27%, 28% of revenues. And secondly, your domestic to export mix is 70-30. So, my question is this, with respect to blueloop, how much of it is actually being supplied domestically and how much of that is being exported out?
- Jagdish Agarwal:** So, when we talk about a blueloop which is like a sustainable product or a mono material, there's not much change if you look at quarter-on-quarter, 25% to 27% is the range what we have in last couple of quarters. It is not that it's -- the number is -- we are talking about the September quarter, June quarter. The similar number we get into many previous quarters. So -- and if you look at the ratio of this mono material, it's more or less similar to what it was previously into the domestic and export market. So, there is not much variation on that account.
- Akshay Badjate:** Yes. So that's what I wanted to know. With respect to blueloop, is it a similar ratio of 30-70 with respect to exports and domestic market? Or is it slightly different? Because I believe you had also articulated a plan where Indian facilities would be used to cater to other markets as well for Huhtamaki, especially with respect to blueloop, products.
- Jagdish Agarwal:** No. So probably when Dhananjay was talking about, he was saying that Huhtamaki as a group have invested into blueloop into many other legal entities, not only into India. So, we have made

a good response into other countries because into developed market and India is also catching up on that front.

**Akshay Badjate:** Yes. But that doesn't answer my question, sir. I'm asking specifically with respect to blueloop. Let's assume that you have INR100 crores of revenues for this quarter, just assume for a minute. Out of the INR100 crores, how much is towards domestic markets and how much is towards export markets?

**Jagdish Agarwal:** More or less similar of the overall revenue.

**Moderator:** The next question is from the line of Jayesh Shroff from Cask Capital.

**Jayesh Shroff:** I have a couple of questions. So, since last 2, 3 quarters, we've been alluding to operational excellence and that we are moving on that line. But if you see in terms of absolute numbers or as a percentage of sales, we're not seeing any improvement in the cost items. So, what is the operational excellence all about?

**Dhananjay Salunkhe:** Look, when we start this -- we call it operational excellence, it is definitely -- there were 2 contexts I spoke about, right? One is the competitiveness and second is the customer centrality or customer excellence, right? So, in both ways, we are making progress. In certain areas, look, today, if you see whatever improvements which we are doing are able to take care of the inflationary trends in terms of electricity, in terms of fuel, in terms of the annual salary increases and so on, which are basically significant, right?

And if you see the percentages, that's the reason why we are able to maintain that. And now -- so you can see those benefits getting into -- so we are able to kind of mitigate the cost increases per se. Because if you see YTD basis or quarter-on-quarter basis, our volumes and the net sales have remained, I would say, similar, right? So that's the reason at this moment. So, as I said...

**Jayesh Shroff:** We've been impacted on the EBITDA. So, I don't know whether we've been able to absorb -- if we would have been able to absorb the cost of operational excellence? Significantly deteriorated.

**Dhananjay Salunkhe:** Right. So that's why the previous discussions, we had a challenging customer mix, product mix, and we had to focus on maintaining the current share of wallet and market share. And that's the reason why we had to be prudent about it, right? So that's the one aspect, and that's where the margins generally got impacted.

The second aspect is the overhead cost percentage to the sales and which has been kind of similar. The reason is operational excellence helping to mitigate the cost increases and flat volumes. Now we have been doing groundwork now. And the moment we start increasing our share of wallet, market share and net sales growth, those benefits will get, I would say, better and better.

**Jayesh Shroff:** But considering the current market conditions, that seems to be quite some distance away, right?

**Dhananjay Salunkhe:** Can you repeat?

- Jayesh Shroff:** But considering the current market situation, every company is talking of slowdown, et cetera, increasing our market share or increasing the sales growth seems some distance away.
- Dhananjay Salunkhe:** So, we have to be open on that front clearly that how the market is going to shape from the future. See, look, again, India shows 2 aspects, like there is a premiumization, premium products are going well, maybe mid-tier are having challenge. Again, there is urban versus rural and now rural demand and then -- so all these things definitely we have to keep things in that perspective and take future decisions. Absolutely, you're right.
- Jayesh Shroff:** Okay. My second question is now since we are a net cash company because of the money that we've received on account of land sales, et cetera, why are we continuing with parent loan? We are bleeding significantly there on account of the rupee depreciation vis-a-vis euro.
- Jagdish Agarwal:** Okay. So maybe I can answer that question. So, first of all, ECB are governed with the RBI rules and regulations. So, their average maturity period for any ECB repayment. If that facet is possible, we have already done. That's one. Second, just to answer this ECB into INR. So, it doesn't have any forex impact to us.
- Jayesh Shroff:** Why is that?
- Jagdish Agarwal:** Into Indian rupee.
- Jayesh Shroff:** No, but we will have to repay at a higher rate when we repay, right?
- Jagdish Agarwal:** No. That's what I'm saying. When we have to repay, we have to repay into the Indian rupee. So, the entire ECB is in Indian rupee. So, it doesn't have a forex impact.
- Moderator:** The next question is from the line of Yash Mehta from Aart Ventures.
- Yash Mehta:** Sir, I just wanted to ask that what is the kind of revenue growth do you see in calendar year 2026? And when do you see the margins improve further?
- Dhananjay Salunkhe:** This is more speculative, I would say. I mean I don't think we give a guidance on the sales growth also for the future.
- Yash Mehta:** Volume growth, sir?
- Dhananjay Salunkhe:** That's what. I think volume growth and sales growth is associated with each other. And at the same time, if you go on Huhtamaki Oyj website, you would get some directional figures. And that is what we are also trying to align our growth aspirations.
- Our growth aspirations are also aligned with the India as a country growth what's happening. And the plans are being made in that context. What I would say at this point of time is that if you see our journey from last 5 to 6 years, we had been I would say, flat in terms of our revenue growth, and that is where we definitely want to make some move.
- Moderator:** The next question is from the line of Dinesh from D G Parekh.

**Dinesh:** My question is that our turnover is stagnant for last 2 years. There is no increase in turnover at all. And we have ventured in the blue loop, but blue loop is not a substitute for BOPP film, right? It may reduce the BOPP films consumption, but there is no substitute of BOPP films. Our main competitor, Cosmo Films and UFLEX, they have backward integration plant of BOPP. Are we interested in going for BOPP manufacturing as in 2014, Huhtamaki was in the BOPP film manufacturing and they have sold it. So, any plan of manufacturing BOPP films in future or not?

**Dhananjay Salunkhe:** So definitely -- see, look, BOPP, our blue loop is having 4 streams, I would say. One is mono material, then PP and then paper. So very clearly, we want to have a play in each of the product portfolio. And at this moment, yes, BOPP is also contributing, or PP products contribute significantly in our product portfolio. And that's where our plan is to basically push and introduce the PE-based products, which are as good as or better than the product which are offered currently in the market.

So that's the clear plan that we want to be a player having a play in the PE structures, largely PE, paper. Definitely, we don't want to say no to PP wherever it is required and because we are, at the end of the day, derive demand, right? So, whatever is requirement from our customers, we definitely are going to service it. No problem on -- or no iota of doubt on that. So that's clear. Coming to the backward integration on PP, no, we do not have any plans on that. So, we want to invest in our focus, our R&D efforts and the investments on the PE and paper.

**Dinesh:** Sir, but our turnover is not getting increased for last 2 years. It's stagnant. What is the reason for it?

**Dhananjay Salunkhe:** Yes. I mentioned that in the previous question that, yes, the turnover has been stagnant, and that is where we definitely want to make a move and the blue loop is one of the strategies. The second one is the category focus in specific categories in the Indian market, growing or accelerating our exports is the third one. So, we are definitely making the plans around that. And yes, the progress is slow, but we will be -- we are pushing on that side.

**Dinesh:** And another question, last one is the other expenditures, as you said, there is an impairment of asset expenses, INR4 crores to INR5 crores. Is it a recurring expenses or nonrecurring expenses?

**Jagdish Agarwal:** It is nonrecurring.

**Dinesh:** Nonrecurring, right? And it is an impairment of fixed asset or current assets?

**Jagdish Agarwal:** It's a fixed. It's -- some project was there. So, it's a fixed asset.

**Moderator:** The next question is from the line of Akshay Badjate from Merisis Advisors Private Limited.

**Akshay Badjate:** So, I just wanted to sort of dive back into the mix between our exports and the domestic markets. Now obviously, you're mentioning that we have been struck by multiple factors in this quarter, particularly on the domestic side. One is there has been a lack of demand. Secondly, you're talking about competitive pressures.

So, my question is this, we basically did whatever we had to do in order to maintain wallet share. So how much of margin impairment have we seen, or realizations impairment have we seen in this quarter versus the previous quarter? And is it that all the players are facing similar kind of margin impairment as well?

**Dhananjay Salunkhe:** Jagdish, do you have any -- this one or you want me to take this?

**Jagdish Agarwal:** I can take it. So, I mean, when we look at the ratio between domestic and export, I think it's more or less similar to what we have been to previous quarters also. Not much change to that. But initially, we have said that there is definitely a change into the mix of category because if you look at the demand per se, the demand into certain category, there are not much demand in a certain category, there's a contract into a certain category. The product mix and when we look at the customer mix definitely had an impact. On top of that, we have inflationary pressure that also had an impact on the margins. So, there are a lot of variables which had impact on the margins, not only one impact, we can isolate and say there is an impact because of that.

**Akshay Badjate:** Yes. So, my question is this, when we look at our export realizations, how significantly higher are they compared to our domestic realizations? If you can just give me a factor. You don't need to give me the absolute numbers.

**Jagdish Agarwal:** No, I'm not clear. You're saying that -- so each is a different -- each product is...

**Akshay Badjate:** Yes. So, what I'm saying is, are my exports, let's say, 50% realizations and exports 50% higher, 30% higher compared to my domestic realizations. That's what I want to know.

**Jagdish Agarwal:** No. Again, Akshay, it's very difficult to comment because we cannot compare apple to oranges. There are different requirements for different businesses. So, it's very difficult to compare that what is export realizations versus the domestic realization. It's not fair to compare in that way.

**Akshay Badjate:** Okay. Fair enough. So, is it safe to say that the kind of pressures that we are facing in terms of margins, particularly on the domestic side, right? There is -- all the other competition is also facing similar pressures, right? Is there a case to be made that over the next few quarters, you actually see competition sort of coming down because obviously, people are not...

**Moderator:** Can you please rejoin the queue for a follow-up question?

**Akshay Badjate:** Yes. Just -- it's a follow-up question to that, it's a second question. It's related to that. If you can just allow me to complete this one. So are you seeing competitive pressures coming....

**Moderator:** Can you please rejoin the queue.

The next question is from the line of Bharat Sheth from Quest Investments.

**Bharat Sheth:** So, my question is again around the blue loop. See, about, say, 3 -- 5, 6 quarters back also, we were saying blue loop contribution around 25% to 30% kind of a range. And post now, we recently in Q2, we commissioned a new plant, which we set up for as a part of the backward integration. So how much sales are coming from that plant and is really benefiting us? Or is that fully operational? I mean, if you can explain a bit more and how that will really play out?



**Dhananjay Salunkhe:** So see, the offerings what we have in the blueloop umbrella are in various modes, right? There are certain products which are mono material, which used to be earlier also done. They were a combination of, let's say, outsourced product and then in-house products coming together. That's the first part.

Second part is now new products which are getting adopted by the customers. Third is our products replacing certain foil-based or a PP-based or a PET-based product. So, the blueloop umbrella is a combination. So, there is a new sales or there is also a replacement sale. So right now, why are we not able to see the marked change in the percentage is because right now, most of the product now we are making in-house.

So, there is a clear backward integration. So, we don't now go for a certain products, films or manufacturing process outside. So that's clearly in-house. The second one, wherever we have replaced certain foil-based products also, this comes as a kind of a replacement sale, but we are able to reduce the dependency from external forces, the external market, the aluminum foil change and so on. That's the second part.

And third part is the clearly new products which are getting introduced. And in certain segments, we have introduced the new products, which are coming as an incremental sale because we were not earlier playing in that space. But that portion is still low and which is again below our expectations also. So, all these 3 things put together, right now, you may not be able to see the change in the percentage moving from what we wanted to.

But ultimately, if we put our customers' sustainability pledges and their plans, and our ambition, there will be significant improvement by next few years. And by the way, most of our customers are now pledging by 2030. They would want to change their product portfolios, packaging in the sense to more sustainable by 2030, right? So, we are the derive demand industry. So, we are servicing their requirements. So eventually, we'll get there.

The only challenge, which is -- we would say it's an interim is the rate at which we are able to introduce those products. And those -- these introductions will be dependent on, one, the legislation or regulation coming in place. And we are seeing that in certain countries where there is a stricter legislation or regulation coming in, the rate of adoption has improved significantly.

Now we are also expecting the same thing happening globally, right? So that would definitely be important. The second one is the nature of the product. There are certain products which are food contact and certain medical or pharma and so on, where the customers want to change to the new product, but then their protocols, their qualification criteria are having a long-term -- long gestation period. So that is where we can -- we are seeing certain headwinds. So, these 2 things together where we are -- you are seeing from outside that the percentage is not moving, but it will move.

**Moderator:** That was the last question. I would now like to hand the conference over to Mr. Dhananjay Salunkhe for closing comments. Thank you, and over to you, sir.

**Dhananjay Salunkhe:** Yes. Thank you for all the questions and active engagement with us. We continue to do this and update about our strategy, our successes, our challenges. And in fact, we are also learning a lot

from your questions. So please -- I would continue to invite those and happy to continue to engage with all of you. And before we close, I would want to also thank our finance team, Jagdish and his team to continue to engage with the investor community. And also thank you to ICICI Direct to organize this call. Thank you.

**Moderator:**

Thank you very much. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.