



July 30, 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 2<sup>nd</sup> quarter and half year ended June 30, 2024.**

Dear Sir/Madam,

This is further to our letter dated July 26, 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 2<sup>nd</sup> quarter and half year ended June 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 will also be available on Company's website at [www.flexibles.huhtamaki.in](http://www.flexibles.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 Q2 CY’24 Results  
Conference Call”

**July 26, 2024**



**MANAGEMENT: MR. DHANANJAY SALUNKHE -- MANAGING DIRECTOR,  
HUHTAMAKI INDIA LIMITED  
MR. JAGDISH AGARWAL – EXECUTIVE DIRECTOR AND  
CHIEF FINANCIAL OFFICER, HUHTAMAKI INDIA  
LIMITED**

**MODERATOR: MR. ASHVIK JAIN – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Huhtamaki India Limited Q2 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 you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand over the conference over to Mr. Ashvik Jain. Thank you, and over to you, sir.

**Ashvik Jain:** Thank you. Good afternoon, everyone. Thank you for joining on Huhtamaki Q2 CY '24 Results Conference Call.

We have Huhtamaki India Limited Management on call, represented by Mr. Dhananjay Salunkhe sir – Managing Director; Mr. Jagdish Agarwal – Executive Director and Chief Financial Officer.

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

**Dhananjay Salunkhe:** Thank you. Good afternoon, everyone. Let me start with our safe harbor statement that whatever discussions we are going to do today do not view any indication of our future performance, and it is subject to lot of uncertainty related to the businesses.

Quarter 2 CY 2024 Performance:

If I look at there is 2 aspects to it:

One, the volumes are on an improving trend as well as net sales. At the same time, the margins have been impacted again on 2 accounts. One, the customer mix, sales mix has been adverse, coupled with the challenging supply chain situation emanating from Red Sea crisis and geopolitics issue.

At the same time, we continue to focus on our strategy to address our competitiveness and focus on creating long-term profitable growth, which will be in terms of what we are doing in our innovative product offerings. For the quarter ended June, we had reported the improvement in the net sales, which is better than quarter-on-quarter and year-on-year. However, sequentially on PBT, there is some reduction. And we are confident that with the efficiency measures, which we have in the pipeline, we continue to drive our plans to improve our profitability and continue to invest in the innovation and operational improvements, where the main focus is to introduce the sustainable products for the future.

With this, I will hand it over to our CFO and Executive Director – Mr. Jagdish Agarwal to take us through to the financials of the quarter.

**Jagdish Agarwal:**

Thank you, Dhananjay. Good afternoon, everyone. As always, I am pleased to host the Q2 2024 investor call along with our Managing Director, and to take you through the Financial Performance of the Company for the Quarter and 6 months ended June 2024.

As regards to quarter or half year performance, like our MD said that volume for the quarter have improved both on Y-o-Y basis and as well as on Q-o-Q basis. However, the Volumes for the six months ended June 24 are almost flat vs the corresponding period of previous year.

Revenue for the quarter stands at Rs. 6.2 billion against Rs. 6.1 billion in Q2 2023. It represents an increase of 2.5% and Rs. 5.9 billion in the trailing quarter, that indicates a 4.6% increase. For the 6 months period ended June 2024, the top line stands at Rs. 12.1 billion versus Rs. 12.5 billion during H1 2023, representing a decrease of 3% revenue on a half year basis. EBITDA for the quarter stands at Rs. 383 million compared to Rs. 421 million of Q2 2023 and for the trailing quarter, which is March '24, EBITDA was Rs. 494 million.

EBIT for the quarter at Rs. 263 million is down by 14% Y-o-Y basis, Q2 2023 was Rs. 305 million. And for the trailing quarter, this number was at Rs. 399 million. EBITDA for H1 2024 stands at Rs. 870 million compared to Rs. 996 million in H1 2023. It also reflects a decrease of 12%. And even when you look at EBIT, EBIT for H1 is Rs. 662 million, down by 9% compared to H1 2023.

So, just to add that in spite of increased volume, the EBITDA or EBIT for Q1 of '24 or H1 of '24 is a trailing behind the comparative period because of adverse sales mix, category mix and changing market conditions. And on top of that, there were global supply chain constraints, we had the Red Sea crisis. We had challenges, especially on getting containers, getting vessels and all, so that had an impact on our exports and in fact, that had an impact on importing certain key raw materials.

Coming to our finance cost:

Finance cost has decreased on a Y-o-Y basis. As in that date except external commercial borrowing has been retired in last year itself. The surplus cash has been invested either in a bank deposit or a mutual fund and generating a decent return on the entire investment portfolio.

Profit for tax for the quarter before exceptional items stands at Rs. 230 million, representing an increase of 3.6% versus the corresponding period of last year. Profit before tax for H1 again before exceptional items at Rs. 564 million is almost flat versus H1 2023. Our net profit after exceptional items for the quarter at Rs. 385 million versus Rs. 145 million we had in Q2 2023, and for the trailing quarter, we had a Rs. 260 million. Exceptional item includes an amount of around Rs. 28 crores, which is the recognition of sales in respect of remaining land transactions at Thane property and a small portion of sale of some idle assets or unutilized assets.

Moving on debt-to-equity:

Our liquidity positions. So, debt-equity ratio continue to be at 0.2%, which is pretty healthy ratio and it's consistent from December 2023 onwards. Debt-to-EBITDA end of Q2 stands 5.5% compared to 3.3% at December 2023, and the ratio is high because there is a slight decrease into the EBITDA, and that's the reason that debt-to-EBITDA ratio is at 5.5%. However, liquidity remains strong as we do have a line of credit, which are not utilized, and we do have a surplus cash. So, the liquidity position is pretty strong for the company.

Working capital has improved when looking at a Y-o-Y basis, however, there is slightly a lag when you look at that on a trailing quarter basis because of our high inventory and higher receivables. But overall working capital, more or less into comfortable situations when we look at a percentage of sales basis.

While I have summed up the financial performance for the quarter and half year, I would also like to enforce that Huhtamaki India Limited remains focused on driving operational efficiencies and committed to strong corporate governance and risk management. The company has always remained committed to its stakeholders, focused on technology-enabled innovations and operational performance and the realization of value for its products by engaging constantly with our customers.

We are investing for future and sustainable solutions to become a first choice in sustainable packaging solutions. We believe this will help the company remain competitive in the long run to drive responsible and profitable growth.

With that, I will hand over all to Dhananjay. And thank you for the continued support and continued investment in our company.

**Dhananjay Salunkhe:**

Yes. So, Jagdish has covered most of the points. So, coming to the other points, which are on sustainability. We are continuing to engage with the regulatory authorities, the stakeholders and the customers in terms of driving our sustainability journey, whether it is in the form of product sustainability or sustainable products or how we do our operations more sustainably in terms of reducing climate impacts, in terms of CO2 reduction, solvent consumption, water consumptions and improving the biodiversity. So, various actions are in place, and we have very healthy trends in terms of sustainability value.

So, with this, I can say that we are concluding our presentation and then we can be open for the Q&A, question and answers.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhishek Anand from Finterest Capital. Please go ahead.

**Abhishek Anand:**

Hello, sir. This is the first time I am attending the con call for your company. So, just pardon my questions. The first question I would be asking is regarding the OPM margins, which the company is having right now. So, I just wanted to know why these margins are low as compared to the peers in the industry?

- Dhananjay Salunkhe:** Peers in which industry?
- Abhishek Anand:** Our peers in the current industry in the packaging industries?
- Dhananjay Salunkhe:** So, it's very important to understand, which are the companies which you are considering as peers because in printing industry, there are various product portfolios, like cartons, rigid boxes, flexibles, then the pressure-sensitive labels and so on, and also the diverse businesses and then the level of integration. So, these are the 3, 4 factors are important to be considered. So, I mean I need to check with you that what are the peers, which you are considering when you are comparing?
- Abhishek Anand:** So, peers like AGI Greenpac or TCPL Packaging.
- Dhananjay Salunkhe:** So, good that you are maybe be able to name a few. So, if you see the names which you have taken, at least as far as our information like TCPL, they have been heavily into the cartons and yes, a small portion of their businesses is in flexibles. So, typically, the carton industry having a different margin profiles than the flexible packaging. So, that may be the reason for the difference. And then also, typically, I am answering this you because you specifically named a few. But otherwise, we do not really discuss any performance or things on our direct competition as well as peers. The only reason why I responded to you is because there was a specific mention from your side.
- Abhishek Anand:** And so, one more question. So, this is regarding the land sales which you have done. So, I just wanted to know what is the total amount which you have received from the sales of the land? How much is there on the books as such?
- Jagdish Agarwal:** Yes. So, we did disclose this in our announcement for that transaction in the last year in 2023, December, that has been accounted, it was a very small portion of the entire transaction, which was concluded now. So, the total value of what we disclosed last year was Rs. 429 crores out of which a small portion was pending that has got continued. So, with this, the Thane land transaction is fully closed.
- Abhishek Anand:** Okay. The Thane Land has fully closed.
- Jagdish Agarwal:** Yes.
- Abhishek Anand:** Fair. And how you have decided to utilize the cash, which you have received from the sales?
- Jagdish Agarwal:** I think we have already received last year the entire cash. Again, I am saying this year, the collection is very small, it's like Rs. 20 crores, Rs. 25 crores only. The majority of that has come last year.
- Abhishek Anand:** So, the majority of it was used last year?
- Jagdish Agarwal:** Yes.

- Abhishek Anand:** Where was it usefully used? May I know that?
- Jagdish Agarwal:** Sorry.
- Abhishek Anand:** Where was this cash used last year? I just wanted to know that.
- Jagdish Agarwal:** We did retirement of the external borrowings and then some portions which is left has been kept into the investments of certain financial instruments.
- Dhananjay Salunkhe:** And also, if you refer our annual report, a slightly higher dividend was paid than the normal average.
- Moderator:** The next question is from the line of Koteeswaran from TrustLine Holdings. Please go ahead.
- Koteeswaran:** So, my first question is, how do we see the plastic waste management implementation by the government? And what are the challenges?
- Dhananjay Salunkhe:** Okay. So, plastic waste, so if I have to look at your question, I mean, I will rephrase it. So, you have to ask how do you see the plastic waste management efforts by government and what are the challenges, right?
- Koteeswaran:** Yes.
- Dhananjay Salunkhe:** Yes. So, look, the scenario on R&D regulation on our plastic waste management, we call PWR is evolving rapidly. And there is a consistent effort by the regulators to regulate the sourcing, use, disposal, collection and the recycling of the plastic and creating that transparency and in fact, the accountability throughout the supply chain. There is also increased expectations to use recycled plastics in the packaging and overall industry. And then Huhtamaki is clearly partnering with various stakeholders to look at what are the solutions we can work on and come up with. And if you see that is one of the key innovations we have in our arm, which is called blueloop™, which is where we are offering very unique product combinations to the customers in a recyclable plastic structure. So, the innovations that we had are basically focusing on removing the multilayered plastics to the monolayer or structures where the recyclability questions are going higher.
- So, we are working with our customers to drive that. At the same time, the answer also lies in your question here, what are the challenges. The challenges are basically emanating from overall development of an ecosystem. So, while the products are getting ready, the overall ecosystem will get ready to do that as well, the collection mechanism and more collections happens, more segregation happens in better way and the recycling gets better. And that's where we are also tying up with certain organizations where we can get periodic updates on regulatory changes, and we keep abreast on the changes which we are expecting in terms of this regulation, which are coming in.

So, challenges are definitely one, the overall development of ecosystem. Second, these are the innovative products, which, as you know, they are innovative, they consume a lot of resources, investments and so on. So, they are perceived to be expensive but it's not about that, it's about the value creation where customers are able to provide the solutions, which are more sustainable to their end consumers, and that is where the value is lying. So, that is how, at this moment, we are working with the overall ecosystem to drive the adaptation of sustainable solutions.

**Koteeswaran:** My second question is what kind of utilization we can oversee or for the next 3 years for blueloop™? And when can you expect the full utilization?

**Dhananjay Salunkhe:** Yes. So, typically, we do not discuss numbers, per se, on the utilization. But at the same time, let me give a perspective, a little broader perspective. So, we do not look at only India as a market, but we are a global company, and we have invested in various geographies. At 5 locations, we have invested. So, at this moment, we are in a very advanced stage of trialing with the customers and adaptation is getting fast tracked. So, as you can imagine, initially, the utilization will be definitely lower. But at the same time, those equipments can be used to produce our regular existing films and existing products.

So, per se, the utilization is not a challenge, the challenge would be how do we really push the blueloop™, the products which are intended to be produced from those equipments. And what are we seeing? I mean I can give a number where more than the utilization, in next 5 to 6 years, that means by 2030, we are looking at that 90% and more products what we are going to make are going to be sustainable. So, that's something which we can really inform. And at the same time, in order to go there, if there is a requirement of further additional investments, we are preparing for that. So, that's the overall plan.

**Koteeswaran:** My final question. Do we see the down trend of BOPP prices due to expected higher supply? Because for the June ending quarter, we have seen raw material contribution increase to 69% versus 66% the previous year. Will raw material contribution fall going forward? What's your comment on that?

**Dhananjay Salunkhe:** Yes. So, look, today's world, if you see that there is so much uncertainty and ambiguity that what you plan doesn't happen. And in fact, it goes in a different direction. And today, if you see, geopolitical situations, Red Sea crisis and the various challenges, there is no certainty really can be given on the raw material prices. Like for example, there is a data point available in the market right now, which we will see like between May and June, there is a significant surge in particular film categories.

Now if you put your market intelligence and analysis in place, per se, from a demand and supply point of view. I mean there is nothing which we can be expecting that BOPP and BoPET prices will go up because demand supply situations are right now adverse. But still, we are seeing that it is happening. So, predicting what's going to happen in the future is really difficult. At the same time, what we can predict is we have some projects, which are basically we call boost savings. And the projects which we are working on, on a cost out or cost reduction that we can predict



that what outcome we are expecting from that. And that is something which we are monitoring very closely.

**Moderator:** The next question is from the line of Dhvani Shah from Quest Investment Advisors. Please go ahead.

**Dhvani Shah:** So, I wanted to ask that the guidance, which is given by the global Huhtamaki Limited, do we expect to achieve that in the long run?

**Dhananjay Salunkhe:** This is for Global. So, the guidance, which is given for the global, if I can imagine your question in terms of top line as well as the EBIT. So, see, we are a part of Huhtamaki Oyj. And so, if you see Huhtamaki Oyj operates in 3 segments, and we have our part of flexible segment, we are a significant chunk of our flexible segment. So, definitely, the guidance given by global that is typically for a global company, but we are part of the global company, and we are definitely striving to achieve that.

**Dhvani Shah:** Sir, do you mean the EBIT margin of 10% to 12%, which is guided by Huhtamaki Limited will be achieved by us in the long run?

**Dhananjay Salunkhe:** So, that's what I said. Look, we are a part of a global business. And within global business, there are different segments. Different segments have different segment priority. All put together is the guidance. So, we do not discuss the specific business and country-specific guidance. And what guidance is given is basically our long-term strategy of 2030. Today, we are in 2024. So, it's basically for over a period of 5 to 6 years, and that is for the global company. And as we are a global company, of course, we also need to participate in that. But at the same time, as I said, we do not discuss segment-specific and country-specific guidance.

**Dhvani Shah:** And one more question. In the call, it was highlighted that the Indian sales constitute 50% from exports, and there was a reduction in exports this time because of the Red Sea crisis. But according to our financial year report, we only see 30% from exports. So, what is exactly our export sales and domestic sales?

**Dhananjay Salunkhe:** I think there is some misunderstanding. Our export constitutes around 30%.

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

**Saurabh Patwa:** Just a continuation to the previous question, sir. So, the challenges faced during this quarter were related to the realization aspect in the domestic business. And we also faced the issue of Red Sea crisis? And how much, if you can quantify some on the directional side, how was the impact and how do we say, plan to recover the same?

**Dhananjay Salunkhe:** So, if you would have heard in my first few minutes of the presentation. As I said, we had a good recovery of volumes in domestic market but at the same time, domestic market because of the competitive challenges, there is a margin erosion. That's one. So, we grew in a market where

anyway the margin profiles are low and that becomes slightly lower. At the same time, in exports, we had challenges because of Red Sea vessel availability and container availability wherein our ratio kind of got slightly reduced from an export point of view. So, that actually, I would say, exacerbated the challenges which we are facing on the margin profile.

And the third one is also within the businesses where if we look at the categories, so we also monitor certain category growth. And because of the seasonality nature and also if you see the summers, certain categories sell higher, and those categories are basically categories where the structures are very commoditized, and that's where the product category wise also certain challenges. But essentially in a larger scale, it's basically an adverse product mix, adverse business mix impacting that. Going forward, we expect that we have now good monsoons coming in. Most of our customers are expecting the rural recovery and then with the festivities, a lot of sales push happens. And with that, we will be expecting that certain categories in the food area would be basically in a higher percentage, and that's where the opportunity would be.

**Saurabh Patwa:** Just can I add one more question on the competitive bid. When we say sir, that our volume growth was around 3% to 4%. But I think this is what the general volume growth also has been. So, because of competitive environment, have we lost some market share?

**Dhananjay Salunkhe:** So, essentially, if you see the general Quarter 2 overall market growth of 3%, 3.5% versus our volume growth, I can say that we are gaining market share in certain categories. But if you compare H1, yes, I mean we are probably at an equal and flat level.

**Saurabh Patwa:** And how do you see the things changing based on your order book or your conversation with your customers qualitatively?

**Dhananjay Salunkhe:** Qualitatively, I think that's what I said. Look, as the overall H2 economy, everyone, any of our customers and overall sentiment looks to be better because of anticipation of recovery in rural economy and then upcoming festivities coming in. So, sentiments are better, and we are also geared up to catch on that.

**Saurabh Patwa:** And sir, on the export side, have things improved, sir? Have you been able to catch up some of the lost revenue, which you would have been of Q1 or Q2?

**Dhananjay Salunkhe:** So, in export side, if you see the target markets where we sell, we are also seeing some positive developments. In certain countries, there was excessive devaluation, which is now getting normalized. And in certain countries, yes, there is certain stability coming in. So, we are expecting that, that would help us to regain certain volumes. At the same time, uncertainty will remain around the Red Sea crisis and the availability of vessels and containers and the escalating prices of freight, basically for the containers and vessels, which are basically significantly increased. So, there is optimism on product development as well as market development but at the same time, how geopolitics works out and the Red Sea crisis pans out will be very important for the third quarter as well as fourth.

- Saurabh Patwa:** So, sir, directionally, H2 should be better than H1. Is it a fair assumption at least for now?
- Dhananjay Salunkhe:** I would say so.
- Moderator:** The next question is from the line of Rohit from ithubought PMS. Please go ahead.
- Rohit Balakrishnan:** So, sir, I just wanted to understand from a gross margin point of view, I mean this is probably one of the lowest that you have seen in last few quarters. So, just wanted to understand how do you see the gross margins for the entire year in terms of given the challenges around freight costs, et cetera, still there, so how do you see the gross margins sort of for the entire year? Because we saw that we were recovering over the last 3, 4 quarters but again, we are back to that low 30s, high 20s kind of number. So, if you can just maybe share some perspective.
- Dhananjay Salunkhe:** Sure. But maybe I have to reiterate our safe harbor statement, again, because I think the questions are becoming more specific. And I think as I said, we can discuss this today, but it doesn't qualify any future forward-looking statements. So, I will still try and answer.
- So, margin profiles will be definitely challenging in India because of various factors. And you must be monitoring the industries as well as our end customers and all. And if you see most of our end customers are FMCG. And if you read the newspaper reports and the statements, you will read one common line, and that is like there is no price in the market for our end customers. I think this was essentially spoken by various large FMCG players. There is no price in the market.
- So, everyone is trying to grow by growing volumes. To grow the volumes, they are definitely working on the grammages as well as the price. And we are the chain of that supply, right? So, essentially, what happens with our customers comes back to us. So, I would say the margin profiles are definitely going to challenge. So, important for us is basically as a company, is to do what best we can do within that challenging and challenging market conditions.
- How do we improve the product mix? How do we improve the business mix? How do we improve the salience of our innovative products where we can generate some higher value creation for our customers and expect some premium? So, that's the focus area. At the same time, keeping a watch on the cost side. And the cost side is definitely as here also, if you see we are going through a very significant inflationary cycle. Food inflation is high. I mean all these inflationary side are in the higher range. So, I would say, all in all, there will be pressure on the margins and at the same time, a company like ours have some plans in pipeline, which can mitigate those challenges going forward.
- Rohit Balakrishnan:** And in terms of your initiative around blueloop™. So, a couple of questions here. So, the EPI regulations for the packaging side are beginning this financial year, if my understanding is correct. So, how have your discussions been with your customer? You have mentioned in the past that you come with a few products and there are more products in the pipeline. So, if you

can share maybe by the end of this calendar year for you or maybe by the end of next calendar year, what kind of revenue contribution do you see in blueloop™?

And given that it's an industry norm and industry regulation that is coming, are you seeing any competition in that, I mean in the recycled packaging or some material that you have in blueloop™? So, are you seeing more players getting in and your advantage sort of getting normalized there?

**Dhananjay Salunkhe:**

So, this is a good question. And look, our innovation and every innovation will have a follower, right? So, eventually some assets. But today, we are offering the 4-pronged innovations, in all the 4 categories, right? So, in PE-based that is recyclable, we are offering in the PP-base, till we are offering on the papers. And then we are also offering in the intermediate agent. So, our ability to offer the vast range or wide range of product offering to the customers, depending upon their product specification or barrier properties, is kind of exceptional. And then as I would have said it also before, we are looking at the global. So, all across the countries, we are monitoring the plastic waste management happening elsewhere as well, and then we are trying to adopt as a global company.

So, offering the product offerings of our options as well as at a global scale, that is where we are confident that no one else will be able to do. And second, we are first to the market and our success rate or heat rate in the product trialing as well as customer acceptance is very high as compared to any other offerings. So, that is something which we can be really proud of.

**Rohit Balakrishnan:**

And any thoughts on how much you think blueloop™ will start contributing, let's say, by end of this year or next year?

**Dhananjay Salunkhe:**

So, I don't have exact number in front of me but currently our blueloop™ structure is around 25% to 27%. And next year, we definitely want to go closer to more than 40% to 50%. So, that's something which we are really aspiring for. And then as I said in the previous question, in the next 5 to 6 years, that is by 2030, that ratio will be going to more than 90%.

**Rohit Balakrishnan:**

Right. And sir, you also have mentioned in the past that for blueloop™ products, maybe not at this moment, but as you keep introducing new products, the raw material, you will be backward integrated and and the BOP pre-film that you buy may not be needed there and you will manufacture that on your own. So, do you see that happening from this calendar year for you or from the next year? Or is that like still 2, 3 years out that backward integration for blueloop™?

**Dhananjay Salunkhe:**

So, look, the blueloop™ offerings are essentially the films, which we will be manufacturing ourselves, okay. So, whenever we offer blueloop™ products, it will be from our factory and out from our machines. So, there are 2 types of product, which we said, one is called a barrier film and second is the metallization. So, all these, I mean, technically, it is not important. So, whatever blueloop™ products that we will be making will be in-house and that's from the day 1, okay? So, that's something which it will be important to know. I mean, the moment you start selling blueloop™, It's basically backward integrated product.

**Rohit Balakrishnan:** So, sir, actually, the question then is that as you manufacture more of blueloop™, your gross margin should improve. Is that understanding correct? Or is that not the case? Because I am assuming that because you are backward integrated, that value addition that you would have otherwise given to another film manufacturer that you would retain. Is that understanding correct?

**Dhananjay Salunkhe:** So, ideally, yes. But then we will have to keep on exploring all these stuffs, right? I mean because we are right now invested right? So, if you see, it isn't like pure mathematics, right? I mean you are smarter than others. So, if you see, today, we have invested. So, investments are high, so depreciation is high, then you trial. So, your learning costs are high. But customers don't pay for that, right. So, you absorb that. So, essentially, you learn and then you scale it up. It's like typically, it will follow the inverted bath tub model if you are aware of, and I would say it depends upon our ability to scale up, adoptability by the customers, the learning what we are implementing because as I said, we are working on a global scale.

So, we are implementing the learning from other countries to us. So, there is a lot of good learning curve happening, and that's where we are optimistic that ideally it should give us but then it's ultimately, our ability to deliver clearly need to be seen in the future.

**Moderator:** he next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

**Bharat Sheth:** Sir, for this backward integration, we just recently commissioned in Q1 a new plant and for which we were saying that that is the film that we will manufacture using blueloop™ technology. And we were expecting to send that, I mean, sample manufactured from the plant, I mean, to really develop the product. So, can you give some color on what stage we are in that whole process and sampling as well as approval, so then when you really see that product to take it off?

**Dhananjay Salunkhe:** Yes. So, thank you for your question, and I am very happy to see the excitement around the blueloop™ from various stakeholders, including investors. And we follow this 5-stage process where idea to samples, then the trials and the scale-up and the impact. And we are having a product pipeline at various stages. So, I would say that some projects are already implemented, some are in the verge of getting implemented, some projects will get implemented in Quarter 4, some are planned in Quarter 1 of '25, and then there are so many projects are in idea stage, in piling stage. So, I would say our product pipeline is healthy.

**Bharat Sheth:** So, maybe, I mean, we see starting I mean conversion into the sales number, maybe Q1 Calendar Year '25 or maybe a little later.

**Dhananjay Salunkhe:** So, I think you are right. So, Quarter 4, we are expecting better hit or better impact. And then if we can go by that run rate, I think we should have a better landing in Quarter 1 of '25.

**Bharat Sheth:** And that will help to improve, I mean, profitability to some extent, correct?

**Dhananjay Salunkhe:** So, I think you connected the previous question by the previous investor.

- Bharat Sheth:** No, sir, I just want your fair assessment.
- Dhananjay Salunkhe:** Yes. So, this is where the innovative products are meant for, and we are also expecting the same.
- Bharat Sheth:** And sir, 2 more questions. One is, sir, is that fair understanding because of the Red ocean, our export work has been impacted. So, export is more profitable than domestic. Is that a fair understanding?
- Dhananjay Salunkhe:** I will say it's more riskier than domestic because export markets, you buy material a few months in advance, then your material is on the ships for 2 to 3 months, and then it reaches the customer, the payment cycles. And so essentially, it's a more riskier business to do.
- Bharat Sheth:** And last question on balance sheet side. Sir, if you look at our inventory as well as the receivable, both increased, and hence the cash flow in the first half, operating cash flow is a little poor. So, can you give some more color what exactly is happening on that side? Or is it a temporary phenomenon?
- Jagdish Agarwal:** Yes, it's more of a temporary phenomenon because we had a high inventory end of June. And at the same time, we had a higher accounts receivable, so it happens and sometimes go up and down. So, I don't see any challenge on that front. We are in comfortable situation for overall working capital.
- Moderator:** The next question is from the line of Tushar Vasuja from Yogya Capital. Please go ahead.
- Tushar Vasuja:** And I am a bit new to your company. So, please forgive me if the questions are a bit too basic. So, my first question is that pre-COVID, your margins used to be 10% to 11%, but like during COVID, they fell to 4% to 5%, and they haven't been able to grow back to where they used to be. So, like what will be the new standards for your margin going forward? Will they go back to the pre-COVID levels, or this is the new standard?
- Dhananjay Salunkhe:** Yes. So, I mean that a lot has changed when you look at the last 4 or 5 years, even if you look at overall packaging industries, the kind of capacity, demand, supplies and customer preferences. It's very difficult to compare a margin, what you had 5 years, 7 years or 4 years back. But the reality is that keeps changing and also today the reality is that, again, we are driving a lot of programs, which revolve around operational efficiencies. We are talking about blueloop™, which we've launched sustainable packaging solutions and also.
- When we look at our ambitions and aspirations, so we have a long-term strategy in place. 2030, definitely, we're targeting double-digit margin kind of that. We are working to offset. It's very difficult to put a number that what'll be the number in this third quarter, fourth quarter or next year, but yes, long-term aspirations and the strategies are very clear, and we are working towards that for long-term sustainability, profitable growth.
- Tushar Vasuja:** And sir, another question. Do we sell any paper flexible packaging as of now? Or is it only plastic-based?

- Dhananjay Salunkhe:** So, I mean, yes, it's a mix. Some structures are having paper as well in that.
- Tushar Vasuja:** And sir, another question. What's the capacity utilization right now?
- Dhananjay Salunkhe:** I mean it's very difficult because there are different stages, different production and the different process. So, it's very difficult to comment about the specific capacity utilization.
- Tushar Vasuja:** Any ballpark figure, if we will be able to get, that would be really helpful.
- Dhananjay Salunkhe:** No, I mean, that would be difficult. But yes, definitely, we have appetite to grow in the same assets.
- Tushar Vasuja:** Fair enough. And sir, my last question is, how much have you spent for blueloop™ up until now? And how much more do you plan to spend?
- Dhananjay Salunkhe:** Well, the 1st Phase is what we have intended to go for it. So, we are more or less done with that. If anything comes or any plan comes, definitely we will come back to you all and definitely we will make a disclosure for that. But as of now, I think we don't have any specific plan for the next 6 to 12 months.
- Moderator:** The next question is from the line of Koteeswaran from TrustLine Holdings. Please go ahead.
- Koteeswaran:** With blueloop™, are we targeting to enter aluminum foil market because like opportunity size that is like around Rs. 4 billion. Do we have any plans on that?
- Dhananjay Salunkhe:** This is a very good question and awesome, I would thank you for this question because one of the important aspects of our blueloop™ product offering, and we have offerings where there is a clear product available to replace aluminum foil. And that makes our proposition very exciting to the customers. So, yes, there are products available, which can replace the aluminum foil. We used flexible laminate, okay? We cannot replace the bare aluminum foil because the use of aluminum foil can be various. But then wherever aluminum foil is used for flexible laminate for a barrier property, it is a stringent requirement. And we have a product from our blueloop™ portfolio, which actually replaces aluminum foil.
- Moderator:** The next question is from the line of Rohit from ithought PMS. Please go ahead.
- Rohit Balakrishnan:** Yes. Sir, I think just again sort of asking the same question. I mean if I look at your history of the last 7, 8 years or even more, margins have been closer to the double digit 8%, 9%, 10%, and that has been difficult for the last 3, 4 years. Now I don't want the margins in this quarter or the next quarter or this year. But I just wanted to understand structurally have things changed in your business for the margins to not come to those levels? And if not, what are the levers in your hands for the margins to improve over the next probably 2, 3 years?
- Dhananjay Salunkhe:** Yes. So, again, this is a good question and probably the answer also lies in your question, half of the answer that, yes, if you see over a period of last 4 to 5 years, reset happened in flexibles

packaging. So, there definitely a lot of things changed which has been changing the margin profiles of the overall industry as such. So, the rate of commoditization has accelerated a lot. A lot of capacity got added into the market, certain levers, which we used to have and enjoy over a period of previous years are basically now quite commoditized.

And then another one important aspect was earlier there a moment, we call it rigids to flexibles. Now there is a saturation happened. So, essentially, the market is becoming like a Red Ocean. So, clearly, there is shift happened, and that happens for everyone. So, there is a margin shift happened.

Did we do any structural interventions? Yes, that's what we did last year, if you see. We relooked at our portfolio, one product portfolio, we also looked at our footprint and we also looked at what are the future expectations from the customer. So, earlier, before GST era, probably having multiple clients, number of locations in every state was the name of the game. But post GST, that is no more an advantage. And then the infrastructure is improving in India. So, the supply chains are becoming better and better.

So, that's the reason why you see last year, we made clear structural adjustments in our footprint. So, we closed one of our large flexibles plant and then the 3 small pressure sensitive labels plant. And that has started helping us to focus on the fewer sites in a better way. We also looked at our product portfolios and they have started taking calls on that. So, that has been the structural changes happened in last year, which gave an important change in our margin profile.

However, as we discussed our H1, the changes happened more from a market side, and that's where we will have to readjust new realities like geopolitics situation, which worsened from December '23 onwards so which really impacted us. Then there is a subdued demand in the market. So, H1 has remained kind of muted as against the India story. Like even if you say India GDP growth is happening, but then actual consumption is still far lagging behind than the GDP. So, all this stuff has to be considered, and that's where we are now at this moment. Look, we did some constructional correction. We did what was required to be done.

Now we need to continue believing that story and the plan what we had, even though it's just like I would say the H1 can be seen as a little bit of, I will not say setback because sometimes it's a business and then we can go ahead with the same strategy of looking at where is the opportunities in front of us. And that's what we are looking at now. blueloop™ is another opportunity. The specific segments are opportunities where we have a clear strength in the market.

**Moderator:**

Thank you, sir. Ladies and gentlemen, that was the last question. I'd now like to hand the conference over to Mr. Dhananjay Salunkhe, Managing Director, sir, for closing comments.

**Dhananjay Salunkhe:**

Yes. So, thank you, everyone, for all the questions. And I personally feel that when I am answering those questions, certain questions are definitely reflecting what we are doing and I am appreciative of the fact that the investor community is taking a keen interest in our



development, and also by asking this question, in fact, in those questions, I also could see some answers for us. So, really appreciative of the fact that these questions are there, and we are also learning from those. And would definitely strive to adopt certain learnings when we go forward.

Also, my sincere thanks to ICICI team to organize this. And I think this is happening very regularly and without any technical glitches. So, thank you, ICICI team. And then my team here are supporting us with the arrangement, CFO, Jagdish, our Company Secretary, Abhijaat and financial colleagues, Anil and Sumit. So, thank you very much. So, looking forward to be in touch with all of you. Thank you.

**Moderator:**

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