Huhtamaki

16th February 2024

Department of Corporate Services

BSE Limited
Phiroze Jeejeebhoy Towers
Mumbai – 400 001
Security Code No – 509820

The Listing Department

National Stock Exchange of India Ltd
Exchange Plaza,
Bandra Kurla Complex
Bandra (East),
Mumbai 400 051
Security Code - HUHTAMAKI

Sub: Transcript of the Earnings Call for the quarter and year ended 31st December 2023.

Dear Sir/Madam,

Further to our letter dated 12th February, 2024, whereby the Company had submitted the link to the audio/video recording of the Earnings Call held post announcement of the Audited Financial Results for the quarter and year ended 31st December 2023.

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 transcript of the earnings call shall also be available on the Company's website at www.flexibles.huhtamaki.in

Kindly take the same on your records.

Thanking you,

Yours faithfully,

For Huhtamaki India limited

Dakshinamurthy Iyer
Digitally signed by Dakshinamurthy Iyer
Date: 2024.02.16 16:35:58 +05'30'

D V Iyer
Legal Counsel & Company Secretary

"Huhtamaki India Limited

Q4 CY '23 Earnings Call"

February 12, 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 Q4 CY '23 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Ashvik Jain: Yes. Thank you. Good afternoon, everyone. Thank you for joining on Huhtamaki India Limited Q4/ FY '23 Results. We have Huhtamaki India Limited management on call, represented by Mr. Dhananjay Salunkhe, Managing Director; and Mr. Jagdish Agarwal, Executive Director and Chief Financial Officer. I would like to invite Mr. Dhananjay Salunkhe to initiate with the opening remarks. Post which, we will have a question answer session. Over to you, sir.

Dhananjay Salunkhe: Thank you. Good afternoon, everyone. Thank you for joining this call. This is our fourth call in succession. And in this call, I would like to give you update on Huhtamaki India performance of quarter 4 as well as FY 2023 and a quick update on our strategy update in terms of what we are doing here.

So in quarter 4, as you would have seen in the results, we were able to improve our profitability significantly. However, the volumes, continue to be lower partly due to the strategic positions, which we have taken in 2023, wherein we have reviewed our portfolio in terms of profitability and taken certain calls. And at the same time, quarter 4 also has seen some duality in the demand. Demand remained subdued in certain categories, which we are servicing and that reflected into the overall volumes. However, the lower net sales, whether it was in quarter 4 or overall year-on-year, has not really deterred your company to deliver a good EBIT performance or on other profitability indices, which is PBT or earnings per share, which has not only improved quarter-over-quarter, but also year-on-year.

In the last quarter, we did the footprint optimization or accelerated our strategic execution on footprint optimization and one of our flexibles plant in Hyderabad had relocated to the other sites and were consolidated. We also accelerated our strategy of asset monetization and Thane and Ambernath land sale was concluded in last quarter. And we continue to invest in our operations through the technology deployment in terms blueloop and other significant investment being made to accelerate our journey towards offering sustainable products to the Indian customers.

So these were a few highlights of quarter 4 2023. Now I will hand it over to our CFO and Executive Director, Jagdish Agarwal. Jagdish, over to you.

Jagdish Agarwal: Thank you, Dhananjay. Good afternoon, everyone.

I have great pleasure in welcoming you all to this quarterly investor call and am pleased to present our financial performance for the quarter and year ended Dec 2023. The business performance of the company during the quarter and for the year has been a mixed bag.

As regards the key financial indicators, the Volumes continued to remain under pressure in Dec Q having a direct Impact on the Revenue. The topline for Dec Q at Rs. 5,852 Mn reflected a decline of 13.5% YOY and 9.2% Quarter on Quarter.

For Year 2023, the topline has contracted to Rs. 24,813 Mn which represents a decline of 15% compared to 2022. The Volume de-growth is partly attributable to strategic position taken and partly due to the lower offtake in specific categories leading to overall topline contraction.

However, the bottom line has shown continuous Improvement for both Dec Q and 2023. Despite of the topline contraction by 13.5% in Dec Q YOY, EBITDA has recorded 35.5% growth and is reported at Rs. 618 Mn in Dec Q. EBIDTA has also improved by 26.75% QOQ basis.

For 2023 again, while the topline has shrunk by 15%, EBITDA has increased by 21% to Rs. 2,102 Mn. EBIT for the quarter at Rs. 506 Mn compared to just Rs. 246 Mn a year back reflects the same growth story quarter over quarter in 2023. Similarly, PBT for the quarter before exceptional items stands at Rs. 444 Mn, again a very impressive gain.

For 2023, EBIT has improved to Rs. 1,610 Mn up from Rs. 882 Mn YOY. And PBT (Before Exceptional Items) has improved significantly to Rs. 1,305 Mn as compared to Rs. 559 Mn in 2022.

The turnaround in bottom-line despite decrease in sales is a result of decisions taken and executed on ground during the year. Network Optimization by consolidating the Manufacturing footprint, Operational Efficiency resulting in Cost Optimization and Overhead Reduction and stability in Input prices are the key factors contributing to remarkable profitability of the company.

Other than the reasons stated above, the improvement in EBIT/PBT is also driven by lower depreciation (Rs. 45 Mn for Dec Q 23 and Rs. 273 Mn for 2023) due to revision in useful life of the fixed assets and method of charging depreciation on buildings from WDV to SLM effective Jan 2023).

The company also reported Exceptional Income of Rs. 3,695 Mn during the quarter arising majorly on account of disposal of Land Parcel of its erstwhile Thane Plant and Land & Building of its erstwhile Ambernath Plant. The Company has also incurred expenses amounting to Rs. 341 Mn towards payout on account of roll out of Voluntary Retirement Scheme to its employees.

Net profit (after Exceptional Income and after Tax) for the quarter and for the Year stands at Rs. 3,274 Mn and Rs. 4,096 Mn respectively. EPS for the quarter (before exceptional items) stands at Rs. 5.11/share, substantially higher YOY basis. For 2023, EPS stands at Rs. 16.27/share, again significantly higher vs 2022.

EPS after Exceptional items for the Year stands at Rs. 54.24/share though not comparable with PY.

Moving on to Debt and liquidity position, the liquidity position has strengthened upon Cash Flows from the sale of Property. The company has retired the entire Debt during the quarter except the External Commercial Borrowing (ECB) from its Group company as that is subject to statutory covenants. Debt Equity ratio of 0.2 is an improvement over 0.4 witnessed so far in the previous 3 quarters. With all the given reasons, therefore, DEBT/EBITDA ratio has improved to 0.8. Overall, Liquidity remains strong as we also have sizeable credit lines which were completely unutilized at the end of the quarter (for obvious reasons).

Working Capital is a standout this year with all the boxes getting ticked in Green. The Receivables have decreased substantially (though partly due to decreased Volumes as well), Inventory is reducing and payables remaining more or less flat. Overall Cash position has improved greatly because of improvement in Net Cash Flow position from Operating Activities. As CFO of this Company, I am pleasantly satisfied with the overall financial performance of the company during the year though erosion in topline was tough to accept. I would also like to reiterate that we are doing everything at our disposal that is required for turning around the performance. We took some tough strategic decisions during the year (like Optimization of Manufacturing Footprint, VRS) etc. while at the same time continuing to focus on Operational Excellence (Increasing manufacturing productivity, Wastage Reduction, controlling the Overheads etc.) and the combined effect of these strategic moves is reflecting in the bottom-line. We are investing in future technology and sustainability to become the first choice in sustainable packaging solutions.

Except for the volumes which definitely is an important area of our focus, we are on right trajectory and is apparent from the improved financial performance of the company on all the other parameters.

The company, as always, remains committed to its stakeholders, focused on technology-enabled innovations and operational performance and realization of Value for its Products by engaging constantly with our customers.

The Board has recommended payment of dividend @ Rs 5/Share (which is 250%) and 2.5 times higher than previous year subject to shareholders approval.

We appreciate your continued support and investment in our company. Thank you. With that, I hand it over to Mr. Dhananjay Salunkhe.

Dhananjay Salunkhe: Thank you, Jagdish. I think you covered each and every aspect of the financial performance very meticulously. So thanks, again. So as I said earlier, we will give you an update also on our strategic intent and what we were doing.

So when it comes to strategic plan, I think it goes without making a note on our blueloop journey. And as I shared in the last call as well, we aim to definitely transform our company from a packaging converter towards sustainable packaging solution provider, and we are making a progress in that direction. So in the last quarter, our blueloop equipment's got commissioned and they are now really ready to start the manufacturing of the samples and we are sending it to the customers for their respective clients.

The second part of our solution offerings to the customers, is blueloop which is essentially the umbrella product, which will be having recyclable products. What we also gathered during this journey is that customers also do have a certain requirement of reducing the weight, our overall ecosystem is yet to be ready with a complete blueloop solutions or recyclable solution.

So what we did interim is basically also developed products which are part of blueloop umbrella, but they are having some options of reduced weight, which we call blue light or having even a mixed material, which we have for the polyolefin-based structures. So that we give our customers various options to choose from, and we are able to see some traction in that area. And this is, again, keeping in mind, the power of 3, what we are talking about.

The power of 3 is basically first the sustainable products; second, they are affordable; and then third, they are adaptable. That means, while we are offering the material recyclability and the content protection, which is required by our customers, we are looking at providing them at the affordable prices using our operational efficiency and global presence and helping our customers to have a source and tax reduction benefits. And then these products are going to be exactly what the current structures are able to offer.

So if you have slides in front of you, you can see some beautiful pictures on Slide #14, where you can see a brand-new building and then the 7-layer MDO line. MDO is basically machine direction orientation and 7 layer lines. All the 3 equipment's are basically up and running. And we are just waiting for certain regulatory approval to kind of start progress towards the commercial production from those machines. That was the first strategic intent.

The second one, as we spoke about footprint optimization or network optimization. And in this year 2023, we really accelerated this strategic intent, which was on the cards for some years. And 2023 saw we consolidated our five manufacturing sites over a period of 2023. And now we have a presence in 10 manufacturing sites, which is down from 15 to 10.

And all the manufacturing consolidation was done with a very well-planned manner and well executed by my team members in Huhtamaki and I thank them for that with seamless transition with no material impact. And now we are basically aligning the new capacity with new changing dynamics in terms of market as well as customer and then improve our cost efficiency through this. That was the second strategy.

The third one, was the creating an asset-light model or monetizing our assets. And as Jagdish also mentioned in his commentary that the two land parcels, which were in Majiwade Thane and Ambernath were kind of liquidated in 2023. And the last strategic intent where we continue to improve upon, and we are progressing towards well is building the talent.

And one of the significant steps -- step I would say we took in 2023 where we consolidated our offices from a three locations to the one location in Thane and the new office is now located in Bellona, in Hiranandani Estate wherein all the employees now working in and around Mumbai are now coming in Thane office, and we have almost 250-odd seats available for employees to be working from office.

And the large part of our strategic intent, which is going to be achieving our 2030 strategy is the sustainability. And now the earlier strategy of blueloop is basically how we offer the sustainable products. The last piece of our strategy is basically how do we do it sustainably.

And in that area as well, we kind of progressed well in terms of climate actions, where we are looking at solar power projects in our Khopoli and Ambernath units, working with nearby localities, be it Baddi or Rudrapur where we help leading and then assessing our water risks emanating out of current climate changes and then how do we improve upon our water conservation efforts to help overall planning.

So as Jagdish also concluded his remarks with he is pleasantly happy or happy with the way the company has progressed for delivering the superior profitability in 2023. I'm also particularly happy in the way we have accelerated our strategy execution in all the 4-5 areas of our strategic intent. So it's a progress well done and we intend to continue this in the rigor, same rigor of execution in 2024, where the very critical aspect of the business would be to improve our volumes profitably.

So with this, I would thank all my team members here as well as everyone on call, and we can open it for now question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Nisarg Vakharia from NV Alpha Fund Management.

Nisarg Vakharia: Yes. Just had a question on the cost restructuring exercises that we have done have translated into a superior sort of absolute number in EBITDA. Now have all of these cost structuring exercises being factored in already or we can still see the EBITDA improving because of the exercises, assuming there is no growth for now?

Jagdish Agarwal: Thanks for the question, Nisarg. So when we talk about a cost, all I knew it's like a continuous journey. We always look forward at how we can improve our productivity. So it's never ending process when we talk about that. But when we talk about some of the big-ticket items, we've already managed in 2023 and those have been educated.

So all those items, which we add into our basket are behind us. But yes, overhead or when you talk about cost reductions or risk reductions, these are continuous journey kind of program, we will continue always. As we always look for how we are going to improve our operational efficiencies and performance.

Nisarg Vakharia: Okay. Sir, we've done a very good job at making our balance sheet debt-free, which has not been debt-free now since almost 2014-15. But our EBITDA today has just come back at an absolute run rate than it was in 2019. Now I know you're focused on growth, but what sort of base level of growth that you see is possible with the low-hanging fruits that are there in front of you?

Jagdish Agarwal: So you talk about EBITDA and you are comparing with the 2019 but if look at year-over-year progress, what we are doing is that see we cannot take 1 year and then we can compare it. And when you go back before 2019 or if you look at look at 2021. Look at journey what we have in 2021, look at the journey what we have in 2022 and 2023.

Now having said that, definitely, our focus like what we have said in our financials, where our focus is that how we are going to grow the business profitably. And that is where our focus would be. First being a responsible citizen that we are going to promote more and more of our sustainable products and making those sustainable products to a sustainable way of manufacturing. So top line growth definitely is one of the key cities or key factor for us in 2024. So putting a specific number would be very difficult for us at this point of time.

Moderator: The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead. As there is no response from the participant I would like to take the next question. The next question is from the line of Khush Gosrani from InCred Asset Management. Please go ahead.

Khush Gosrani: Sir, could you give us what will be the capacity utilization for the full year?

Dhananjay Salunkhe: Yes. So I think last time we covered capacity utilization as one of the vector. At the same time, as we have done a lot of restructuring and the footprint or network optimization. So I would tend to kind of keep it open because that becomes now one of our very important, I would say, the lever which we'll be using for improving our business performance.

So by indicating the capacity utilization, it kind of exposes the overall strategy, okay? But yes, while last year was basically matching the capacity to demand exercise. Now we are wanting to leverage our available capacity to grow on profitably. So efforts are there to improve the capacity utilization. That's what I would like to comment.

Khush Gosrani: Sure, sir. But -- okay, got it. But sir, this year, we have seen a 15% decline in the top line, how much it would be attributable to volumes?

Dhananjay Salunkhe: Yes. So I think the decline in the top line and volumes are almost kind of trending at a very nearer to each other, okay? So -- and that's where the business, as I said, last year, that is 2023. The strategy was to basically match the capacity to the demand instead of creating a demand which was unprofitable, right?

So that's where we kind of focused on. Now we know where we stand, what geography we are there, where is our customer and what markets we want to serve, we call it, where to play. And we are having clearly articulated strategy around that, and that's where we want to accelerate so.

Khush Gosrani: Sure. Sure. Sir, a bit of a long-term question. You have highlighted the strategy around blueloop and the ancillary products. But how would you drive volumes in the other products which are other than blueloop because those are also important to increase our capacity utilization.

Dhananjay Salunkhe: Absolutely. You're right. A very good question. So essentially, there are levers now, which we are definitely using. One is, of course, blueloop. That's one of our important strategy. The second one is on the existing key accounts. The efforts are to engage with them in terms of quality, in terms of service, in terms of superior technical support and increase the share of volume.

So that's the second lever. The third lever is what we are examining and wanting to use is when we now corrected our capacity base and cost restructuring, the businesses which we are not accretive in the past and which we had to let go maybe 2 years or 3 years ago, would be also there on that cards. So that's the third lever which we are using.

And then the last lever -- or fourth lever is also expanding to the newer categories or to the newer customers, region-agnostic, not only in India, but elsewhere. So these are the four areas which we are working up -- three areas apart from the blueloop.

Khush Gosrani: Okay. And sir, whom you would be taking wallet share from as of now or? Who would be the key competitors you have where you are eyeing to take wallet share as well?

Dhananjay Salunkhe: So we are -- see packaging industry is largely fragmented industry, Khush. So it's really, really we cannot say that from whom you would be taking the share. As you can imagine, we are into a flexible packaging where the target market is basically consumer packaging goods companies, and they are basically varied from foods to personal care to the home care to health care and industrial and so on, right?

So essentially, the product, which we will be successful will be on all these categories. And then really speaking mapping because top 10, if you ask me, top 10 or 15 competition, they are in various geographies. And monitoring them or measuring with whom market is coming in from is, I would say, are not really our interest also. Our focus is basically to grow the volumes and increase the wallet share.

Khush Gosrani: Sure. And you would have received client approvals for blueloop as well?

Dhananjay Salunkhe: Yes. So this is a long process, right? So that's where we have been started already at last investor call, we also asked or responded that the gestation period of customer trials is longer. So we have invested in five locations across the world. So in fact, we had that started very early. So the different products are in different stages of the approval process in our customer houses.

Khush Gosrani: Sure. And last question, sir, how easy or difficult is it for a customer to shift from -- right now, a conventional product to blueloop product?

Dhananjay Salunkhe: So it depends upon the product to product, but at the same time, all the customers definitely follow their protocols in terms of product validation. So that is for sure. At the same time, if you can refer my commentary that what we are offering in the blueloop, basically, three distinct advantages, right?

So one, what we say power of three: Products are sustainable; second, they are affordable; and then they are adaptable. Now in the adaptability, what happens or sustainability, they need to content protection is one of the important area that is the barrier properties. And typically, they are called OTR, oxygen transmission rate; or WVTR, basically water transfer rate, water vapor transfer rate. So this has to be fundamentally met. That is one expectation.

The second expectation is that this product needs to run on the customer machines or packaging lines at the same productivity as an existing product. That's the second one. And the third one, need to also meet some price expectations. Now here is the where rubber meets the road. That some customers places, these are the premium products.

So some customers are willing to transition for the premium products because their products are also entering in the premium. So it depends upon the customer in terms of urgency and their commitment to the sustainable -- their sustainability commitments. And I think we are seeing some traction coming in and a lot of interest coming in from various customers. And that is where we are really optimistic about that, the conversion rate going forward would be higher than what we have seen in the last six months. That's one.

And second, as I said, we also are coming up with some other variance of the blueloop. We call it blueloop light or project Zebra, wherein there are some interim solutions also we are offering to the customers. So that is also helping our customers to transition to the blueloop products.

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

Saurabh Patwa: Congratulations on delivering on all the key variables which you have been highlighting in the last quarter's call. On this blueloop, I have a question, which is basically while you have highlighted the strategy for 2030, you also highlighted the kind of various products that you would want to work on. Just wanted to understand how and where we are on the implementation compared to the parent or has the parent being able to get many of these approvals already done?

Or are they also on the similar lines with respect to the acceptability of these products to their customers. Because the reason of this question is that many of these products when they are sold to large MNC, FMCG companies, if the parent product is approved, it would be relatively be easier for in terms of acceptance and the usability.

Dhananjay Salunkhe: Yes. So this again, a good question, Saurabh. So as we are introducing this as a global umbrella and our other sister Companies are in various stages of the equipment installation or commissioning. And this is the public information I can share like in Europe, we have already installed equipment. In Middle East also we have installed. India, we are just waiting for regulatory clearances. Whereas in Southeast Asia, we are in one location, we have installed, whereas in other location is still in the process of the installation. So this is on the equipment side.

On the customer side, acceptance of this product also, it varies. So we are offering the products in these four areas, right? If you would have seen in the past, like we are offering mono-material, we are offering the polyolefin base, then we are offering also in the paper base and then the intermediate structures wherein, so like in European continent, there is a traction for the paper base at a very high premium. So there is a traction.

Mono-material is getting traction in certain, I would say the Commonwealth Countries where the regulation is kind of getting accelerated towards recyclability. We are seeing the traction on the mono-material. So it depends upon the country to country. And I think good news is that we are also aligned our equipment and installation according to that country's requirement.

And the third point helping us is basically, we are also learning from each other. So we have a very good platform now internally wherein we meet frequently along with our other country counterparts, wherein we share with each other the challenges as well as the opportunities those challenges brings with it. So it's exciting progress.

Saurabh Patwa: So sir, can you give us in terms of volumes, how much would be the parent's volume coming from blueloop? Or what is/ any expectations there? And similar to that, how are we placed?

Dhananjay Salunkhe: Yes. So while giving a square meter, so tonnages might not be possible at this point of time. But our intention and the aspiration and the plan is to reach -- introduce all these blueloop recyclable structure in excess of 90% by 2023. Today, we are somewhere around 26% and that's where the improvement will be there, right, yes, by 2030.

Saurabh Patwa: And just last one question, So I think in part, you answered this question. So I think a large part of your restructuring in terms of product and customers have been done and which has led to a volume decline in the last one year or so. And consequently that you also worked on the cost side of it and there's a lot of cost -- plant consolidation, labour consolidation, etc.

So from hereon, your revenue growth would be driven by volume? Or how has been the realization? So what kind of volume growth over the next three years you would expect? And any realization decline which you have seen in the last one year? And how will we see that? I'm not asking for a guidance. It's just a trend -- from a trend basis, anything you can share?

Dhananjay Salunkhe: Fair enough. So of course, our idea also is not to give -- by the way, in my presentation, the first slide probably was the red herring -- Safe Harbor statement wherein we do not intend to give any guidance at all. So probably, that was one of what I would have started my presentation with. But here, coming to your question.

So look, we have definitely by improving our structure, cost structure and the footprint, we are becoming more agile and responsive company. And that's where we are looking at volumes will start picking up because of the efforts which we are taking, as I said in the last question before vectors of our volume growth. And while with this revitalized cost structure and the base, any volume improvement will be having a positive impact in terms of our productivity, the stages and then realizations will be clearly improving going forward.

Saurabh Patwa: Just to clarify, so the last one year, have we seen any realization decline because of raw material falling down or coming down?

Dhananjay Salunkhe: See, raw material per se, if you see, we are into a business wherein we have certain contracts with our end customers also. So definitely raw materials prices were stable in 2023. So I would say there was no benefit per se, but at the same time, there's also as if it was in 2022, because 2022 was the unprecedented year in terms of price volatility.

Moderator: The next question is from the line of Vipulkumar Shah from Sumangal Investment. Please go ahead.

Vipulkumar Shah: Congratulations for a very good set of numbers. So sir, my question is, do we still have any unprofitable portfolio, which we would like to shed over a period of time? And if yes, can you quantify it?

Dhananjay Salunkhe: So Vipul, see nothing is profitable or unprofitable if we put into the context, right? Even sometimes unprofitable part of a business also might be taking also some of your unabsorbed costs. So it's basically an evolution of the overall P&L and balance sheet, how we see it, right?

So we took this view and I think I covered this in my last, one of the last questions, wherein why we are also looking at one of the lever is going back to the businesses which we had lost in last 2-3 years ago or so because of the cost structure. So now we have improved cost structure. So we will definitely have certain opportunities.

So at this moment, what we see is an overall basket of opportunities in front of us. And then what do you push? In which quarter or which time would be also important? So I don't think we have right now such a kind of thing that we had in 2023. So everything is now, I would say, contributing.

And here or whatever happens, it's better in terms of volume, in terms of productivity and in terms of what we have are carrying on our balance sheet, which is basically a very good healthy liquidity.

Vipulkumar Shah: And sir, my last question is so what will be the contribution of this blueloop range to our turnover, say, 2 to 3 years down the line in terms of percentage of our overall turnover.

Dhananjay Salunkhe: Yes. So I answered this in last question that today, we are at around 26% of our contribution in terms of our sales from blueloop products. And by 2030, we want to take this to beyond 90%. So essentially, today, say, we are at 26% and 90%, so a gap of 65%. And we have, let's say, 6 years or 7 years. So we can say 10% delta every year sustainable product.

Vipulkumar Shah: Margin for blueloop and other conventional products are same or they differ?

Dhananjay Salunkhe: So these are all price-sensitive information, I could imagine. But at the same time, you can imagine that the blueloop is a sustainable product, yes, and it is going to help Mother Earth.

Vipulkumar Shah: Okay, sir. Thank you and all the best.

Moderator: The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan: Yes. Two questions. First is that if I look at the packing material costs of the top line FMCG companies that are listed and if I compare over the last five years, the revenues have actually been in order. Packing material costs have been continuously coming down. And they actually enter into reverse auctions with players like you.

So my question is that on a long-term basis, how do you look at it? How much of your currently the business comes through this reverse auction where there's always -- you are calibrated on per ton basis of the filling or how do you think about that?

Jagdish Agarwal: Yes. Thanks for the question. It's a very good question. So I think you are going through a lot of other financials of FMCG also. I mean your observations to the packaging costs for these companies are coming down and always there are challenges in terms of the reverse auction and all. So having said that, even maybe look at Huhtamaki, so we are doing everything possible at our end. We are working on even to cost competitiveness in terms of improving our efficiencies, working on our overhead and all other things.

So it would be very difficult to say that how much is coming to reverse action, how much is coming to normal other channels and all? I think one thing we have to communicate is that as that market is bidding more and more and the competition is increasing day by day and become more and more intense, at the same time, we do have responsibilities that we have to look into that our way of working operations and all and try to improve our operational efficiencies so that we can continue to compete and be relevant in the market at the same day focus on innovation to make sure that how we're going to drive the sustainability being a market leader.

Lakshminarayanan: Got it. Earlier, you used to give this information related to either the products introduced in the last couple of years for value-added packaging. That's a metric you used to push innovation. So do you still -- I mean, I'm sure you track it, but what is that number now? And how is this trending? And what do you think it could trend over the next five years or even longer?

Dhananjay Salunkhe: At this point of time, from last two or three quarters, we are talking about blueloop. And I'm sure in the near future, we'll be a better position to talk about those numbers but definitely, when you talk about overall new product vitality index and all, we are pretty good in that. I believe it should be somewhere between 25% to 30% kind of not very specific, but in range.

Lakshminarayanan: And you are developing this same competency. For example, a couple of years back, you developed these pouches for soft drinks. And that kind of design innovation, if you can just touch upon how much of your products are actually built to print and how much you're actually working with not only the creative but also the manufacturing of your customers?

Dhananjay Salunkhe: You were not very clear. Can you repeat what was that?

Lakshminarayanan: Yes, there are two parts. One is that you just make it as per the reverse auction and then there is another thing where you actually work with the design team trying to innovate on packaging. So what percentage of revenue comes from places where you have almost a sole market leadership or market present in that particular product line?

Dhananjay Salunkhe: This is actually a good question, I think you are really very good observer of the industry looks like. So look, we talk about innovation. So one is the structural innovation, and that is where we talk about the blueloop. The second one, what you referred is basically format innovation or its needs for printing. So these are the two areas where we keep on working on, along with our customer so that we get some first-mover advantage.

Okay. But the irony of our whole industry is basically the catch-up happens very quickly. So in other industries, if, let's say, someone introduce and then there is at least one or two years of first-mover advantage. Here, that advantage is probably in a months' time. So that is where the competition catches up. And even competition -- forget about competition, but customers also have their own policies like two suppliers or three suppliers because they are the large conglomerates.

So that's where we keep on improving on that. And we are the company where we introduced a lot of packaging innovation in terms of printing, in terms of performance. So like if you are early in the market, we were the first one to come in with, come with the variable core printing or the bag-in-box kind of a thing. And then you see a lot of new innovations coming in market, I mean, it will be from a house of Huhtamaki. This gives us the edge in the market for some time, yes, for sure.

Lakshminarayanan: Sir, one last question. What is the mix of exports and domestic for the full year and how it compares with the last year?

Jagdish Agarwal: So more or less in the same range of what it was last year, we typically had 70/30 kind of a ratio, give, or take one or two plus, minus.

Lakshminarayanan: Thank you, so much.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Yes, thank you for the opportunity. Sir my question was, sir, for this full calendar year, so there is a dip of almost 14.5% to 15% in top line. Is it possible to give the mix of volumes and realization?

Jagdish Agarwal: I mean, like we have said usually when we started our commentaries that negative driven to volume and we had some strategic intent as well,and that's a focus area of what we had in 2024. So majorly driven through volume only.

Aditya Khetan: Okay. And sir, for the next two years, are we expecting our volumes to go up so that is largely because of the blueloop segment. So how much like growth in volumes we can take for the next two years?

Jagdish Agarwal: We cannot give any forward-looking statement. But definitely, it's come, like to grow, and that is where we also would like to grow definitely through innovation, new product and in general also the aspiration is to grow.

Aditya Khetan: Sir, continuing with the earlier participant questions, you had mentioned that the blueloop is contributing around 25% to the top line. So similarly, how much is it contributing to EBITDA?

Jagdish Agarwal: So first of all, when you talk about blueloop contributing, which we say that sustainable product. So what we are supplying today is it sustainable product, which is kind of a category we club right now umbrella of blueloop. So that's the percentage of our top line, but the general unit don't go to that level of detailing about which product and what kind of margin and all.

So I think overall, we look at our margins, what are the margins we have delivered in the fourth quarter and the full year that's probably will be more relevant looking into the overall margin.

Aditya Khetan: Okay. Sir, just one more question adding on to this. So this blueloop -- so coming to the raw material part, so does it require the similar raw materials as compared to the commoditized plastics like your PET, BOPET, BOPP? Or is it like a newer set of raw material, which is required?

Dhananjay Salunkhe: So the blueloop products or structures will require some specific resins, which are not used at in these regular products. But they are not far so different, okay? So some formulations. And that's actually going to be Huhtamaki India's proprietary or we call it the intellectual property.

Aditya Khetan: So it is more or less a similar engine you mean to say as compared to our traditional products?

Dhananjay Salunkhe: So input raw materials in terms of resins won't change too much, but there are some ingredients would change, and that creates a differentiator. And that input ingredients would be Huhtamaki proprietary, yes knowledge.

Aditya Khetan: And sir, we are maintaining our double-digit margin guidance, so will be so going up to there for the next few years?

Jagdish Agarwal: So we don't give any guidance per se but definitely, we talked about 2030. So we have a really aspirational goal to go to 2030, which we are communicating over time and again. But if you want to know one or two or three years, so we don't see any such guidance.

Aditya Khetan: Okay, sir. Thank you, sir.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Yes, namaskar Dhananjay ji. And thank you sir for this opportunity. Just to put the common substance of our discussion, is it correct to assume that the cost correction exercise, which we carried out, say, 1.5 years ago, is now culminating and now going ahead, the company will be bearing the fruits of the corrective steps, whether it is rationalization in the plant and product profile, but everything will start now appearing going ahead?

This would be the likelihood barring the exaggeration in the raw material prices. Can we now target towards a consistent set of earnings going ahead?

Jagdish Agarwal: I mean, Mr. Saket, first thing like we are maintaining that we normally don't talk about any forward-looking statement. And if we are talking about what we're targeting at all would lead to that kind of statement. But yes, I mean, we did a lot in 2023 and we had a benefit of that in 2023. And as I said earlier, that it's continuous improvement journey and we keep continue doing and looking for opportunities where we can in terms of overall efficiency and cost competitiveness.

Saket Kapoor: Sir, my question is simple. The steps taken by you, are we done with that exercise? And the benefits of the same will start now flowing into our number? This is what -- I'm not looking for any margin expansion guidance. I'm not looking for any margin number also. Only the exercise undertaken by the management to rationalize things and to put the house in order if I may use the term. Has that exercise been over? And now is the time for the company to bear the fruit of the sale?

Jagdish Agarwal: So we did a lot. That's what I said, Mr. Saket. In 2023, we had certain targets, which we have done in 2023 where if you talk about immediate short-term, yes, we have done with that. But always the opportunities in the company, so we cannot say open advertising like that. In a short, yes, we have done what we wanted to do in the short-term.

Dhananjay Salunkhe So let me put it in his own language. We have put our house in order, that is major repair and maintenance has been done. But then every day, you have to need to maintain your house, right? So that's how I will put it. Yes?

Saket Kapoor: Sir, you have also spoken about investing in our workforce and investing in our team. So if you could just elaborate exactly what has been our attrition rate? And I have also read somewhere that a person belonging to the KMP team, I think our company secretary is also now relinquishing his post. So just wanted to understand when you say that we are working on the team if you could explain to us.

Dhananjay Salunkhe: Yes, okay. Good. I think so when we see keep on looking at the team, it is again evolution, right? So first of all, our attrition rates are -- we keep on benchmarking our attrition in terms of industry benchmarks and our peer benchmarking. And we are -- I can say we are better there. We also keep monitoring the high potential employee attrition that's also better than the regular attrition.

And third point, you made the statement about some key positions and all this is again an evolution and we definitely review this ongoing basis. And I would -- I also -- or we keep that as an opportunity to actually reset our onboard on fresh talent in the company. So we use this attrition definitely should not happen and hypo-attrition or a talent, which is required to run the company.

At the same time, if someone has some other plans for his or her future, we see that also as an opportunity to also put right people in right places. So on that front, actually, we are really doing very well.

Saket Kapoor: All right. Thank you sir. And all the best. You and the team sir.

Moderator: Thank you. Due to time constraints, that was the last question for today. 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: So thank you, everyone. I think the pressures coming in here are really reflective of the fact that all our ecosystem and the investors are taking a lot of efforts to go through the company financials, all past investor calls and keeping that in mind. They're asking questions which are also giving some reflections to us as well, while we are answering them well while it is on a cost restructuring or growth or on the blueloop or on a long-term profitability or even on the talent and also the innovations what we do, format innovation or packaging innovation.

So very good reflecting questions, and we try to also answer them to the best of our capabilities and capacities. And also keeping in mind that there are some guidance, which is in terms of -- not giving any forward-looking statements. –And I fully expect that the people who are on the call will also understand that limitations and accept that. And lastly, I really thank everyone involved here to have a continued interest in Huhtamaki India and looking forward for your ongoing support.

Also before we close, –I would like to thank you, Anil, Sumit and Jagdish for keeping this in the context every quarter. And ensuring that we have engagement with the investors. So thank you very much.

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