27th October 2023

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 ended 30th September 2023.

Dear Sir/Madam,

Further to our letter dated 23rd October 2023, 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 quarter ended 30th September 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

D V Iyer
Company Secretary & Legal Counsel

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"Huhtamaki India Limited
Q3 CY '23 Earnings Conference Call"
October 23, 2023

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

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

Moderator: Ladies and gentlemen, good day and welcome to Q3 CY'23 Earnings Conference Call of Huhtamaki India Limited 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 this 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. Sanjesh Jain from ICICI Securities. Thank you, and over to you, Mr. Jain.

Sanjesh Jain: Thanks, Neerav. Good afternoon, everyone. Thank you for joining on Huhtamaki India Limited Q3 CY'23 Results Conference call. We have Huhtamaki India management on the 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 remark, post which we will have Q&A session. Over to you, sir.

Dhananjay Salunkhe: Thank you. Good afternoon, everyone. This is our third investor call, and this is in line with our promise we made six months ago that we would like to engage with various stakeholders. And I'm, again, happy to be here to kind of take you through to the last quarter as well as year on year performance, what are our strategies and then of course engage with you on various aspects of what we are doing.

You would have seen -- before we start any further discussion, let me have a disclaimer of our safe harbor statement that, whatever we discuss is not really anything like a forward-looking statement and so on. So that's it. I would like to put it on record.

Coming to the performance of Q3, what came out very clearly that our performance in terms of bottom line, i.e. EBIT, PBT, and EPS improved significantly quarter on quarter as well as year on year that is basically giving a very strong indication of our strategic position what we have taken in terms of driving the sustainable business.

However, the overall volumes continue to be challenging. At the same time, you would observe that quarter on quarter there is a slight improvement in the volumes and they are clearly falling in line in terms of the strategy what we have made for our long-term sustainable growth.

Our investment in terms of operations and technology continues to be a focus area and that's something which I will put little more insights when I come back after handing over to our CFO for the financial update. So overall we are going in a right direction and that is as we said earlier as well this is going to be backed up by our -- important focus on innovation and offering sustainable packaging solutions to the industry.

And that inspiration is coming from certain aspects where we are getting recognized for the awards for the best packaging. In the last quarter, we received three awards from IFCA Star Award 2023, for recyclable bulk bag for having their exceptional drop resistance.

We got award for certain specific tactile effect on pressure sensitive labels and soft touch. So certain focuses what we are giving on innovation are clearly also recognized by the industry. So while I come back to you with more details on our innovation.

I will hand it over to Jagdish Agarwal, our CFO and Executive Director for taking us through to the financial highlights and then I will come back again. Thank you, over to you Jagdish.

Jagdish Agarwal: Thank you, Dhananjay. Again a pleasure to present the financial performance of Huhtamaki India Ltd. for the 3rd quarter and the Year so far. However, before presenting the same considering that the Holiday season is about to begin in India, I would like to start by wishing everyone on this call Safe and Happy Holidays. And Diwali being the festival of lights, I hope it brings happiness and hope to one and all.

Let me now move to the business performance of Huhtamaki -

As regards the key financial indicators, the Volumes continued to remain under pressure in Q3 impacting the topline on YOY basis though we have started seeing improvement QOQ. However, the bottom line has shown significant Improvement for both Q3 and 9M YTD. This is a result of continued focus on Operational efficiency and mix and partially due to stabilization in the Input Prices. In spite of top line contraction by 15% in Q3 YOY to Rs. 6.44 billion, the EBITDA has nearly doubled to Rs. 488 Mn in Q3. For 9M 23, while the top line has shrunk by 15% to Rs. 18.96 billion, EBITDA has increased by 15% to Rs. 1.48 billion.

EBIT for the quarter at Rs. 379 Mn compared to just Rs. 40 Mn is way higher on YOY basis. Similarly, PBT for the quarter stands at Rs. 304 Mn (against a loss of 47 Mn YOY).

On 9M basis, EBIT has improved to Rs. 1.10 billion up from Rs. 636 Mn. and PBT (Before Exceptional Items) has improved significantly to Rs. 862 Mn as compared to Rs. 399 Mn. Other than the reasons stated above, the improvement in EBIT/PBT is also driven by lower depreciation (Rs. 88 Mn for Q3 23 and Rs. 228 Mn 9M 2023) due to revision in useful life of the fixed assets effective Jan 2023.

Net profit (after Exceptional Expenses and after Tax) for the quarter at Rs. 323 Mn has improved to 5% of Sales (from Rs. 0.4 Mn being 0.01% of Sales YOY). For the 9M period, Net Profit has improved to Rs. 822 Mn from Rs. 328 Mn. This represents 4.3% of Sales as compared to 1.5% in the corresponding period of PY. However, this is partially driven by one off reversal of accrual for Uncertain Tax positions of past periods in couple of quarters in this Year. EPS for the quarter stands at Rs. 4.27/share, substantially higher on YOY basis. For the 9M Period, EPS stands at Rs. 11.16/share, again significantly higher on YOY basis.

Moving on to Debt and liquidity position, Net Debt has reduced by ~ 1.82 billion INR YOY and this reduction has helped improve overall liquidity. Debt Equity ratio of 0.3 is an improvement over 0.4 witnessed so far in the previous 3 quarters. Short Term Borrowings have significantly reduced on account of repayments/lower Draw Downs. Liquidity is strong as we have sizeable credit lines which were mostly unutilized at the end of the quarter.

Working Capital is a standout this year with all the boxes getting ticked in Green. The Receivables are decreasing, Inventory is reducing though payables are tad higher mainly because of higher outlay for Capital Expenditure. Overall Cash position has improved greatly as a consequence of improvement in Net Cash Flow position from Operating Activities.

To sum up the financial performance, I would like to say that we are on the right trajectory and all the measures taken in the past year or so have now started yielding results which is apparent from the improved financial performance of the company on almost all the parameters.

Would also like to highlight some key points being strong focus areas on an ongoing basis

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1. Operational Efficiency - We continue to focus on footprint optimization, cost optimization, Supply Chain/Sourcing Optimization and effectively overall Process Optimization. This is now the core of our strategy, and we believe this will enable us to remain focused and drive responsible and profitable growth.

2. Corporate Governance & Risk Management - Our commitment to strong Corporate Governance is in line with letter and intent of law and Regulations and is second to none. Our Board of Directors provides a robust oversight which helps ensure that our business decisions align with the interests of the Shareholders. I would like to place on record my gratitude to the entire Board in this regard. And personally, it has been a great learning experience for me interacting with a highly knowledgeable Board helping enhance my vision as well.

3. Sustainability - The increasing importance of sustainability is not lost on us, and we are cognizant of our responsibilities to reduce our environmental footprint with a positive contribution to the entire ecosystem in which we operate. Blueloop is one of the strategy initiatives in this direction to become the first choice in sustainable packaging solutions. And this is the core of our 2030 strategy.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. We appreciate your continued support and investment in our company. Thank you. With that, I'll hand it over to Dhananjay.

Dhananjay Salunkhe: Thank you, Jagdish. So you mentioned about our innovation and enterprise wide Blueloop solution or branding. I would like to kind of expand this further. So just to everyone, if your presentation is open in front of you, I'm referring a few slides and this is about slide number 8 you can go to.

The blueloop, in last investor calls also I kind of given a little bit background about what we are talking about here. The blueloop is nothing but our entire offering in terms of sustainable packaging product solutions. The blueloop is basically an enterprise-wide brand which is aligned with our 2030 strategy, where we are aspiring to become a first choice in sustainable packaging solutions, which will be driven by our investment in technology and the aptitude for operational excellence.

So what is our 2030 vision? By 2030, we are really looking from packaging converter, which is our core business definitely, to move to the, not only from a packaging converter to the packaging technology innovation leader and sustainable packaging solution provider.

And how would we do that? By introducing game-changing technology and solutions with world-class, efficient manufacturing and supply chain footprint available world globally. And these products will be available to our global customers.

What are the products which we are talking about? We are moving from a complex and non-recyclable product to a mono-material laminates which are designed for recycling. And in this area, we are offering four streams, the mono-material based laminates, polypropylene based laminates, paper-based laminates and then PET based laminates and basically those are essentially mono means one material which enhance the recyclability.

Though these products are simple as I said they are mono material and most of them come with a waste reduction and which means very important step for environmental preservation which is a CO2 reduction and of course they are recyclable.

While all these offerings are from these products, very important thing what they ensure that, it ensures the protection, which is required for food packaging and the packaging of daily essentials in terms of barrier properties. As I said, they are recyclable and then in a market like India, we also cannot ignore the affordability of it. So, they are affordable in terms of competitive pricing against the transformative alternatives.

So, last time we talked about the investments which are upcoming in our Silvasa unit and we are very close to starting the equipment. So as the new equipment starts, we are also parallelly and equally focused on developing the strong projects pipeline working with our customers in the domestic markets as well as in international markets.

We are also studying various packaging machines available in our customer lines to ensure that our blueloop offerings also work on their machines so that it enhances and it enables the smooth transition to the new product offerings.

So Jagdish talked about how are we really putting our strategy in place to make sure that we have a sustainable business. While I spoke about innovation, which is sustainable packaging products. And we are also equally focusing on making those sustainable products sustainable. And that is where the sustainability is coming in picture and very important from our achieving our 2030 strategic vision.

On sustainability part, we are focusing on climate actions. We are focusing on sustainability by design in terms of infrastructure we are talking about how do we preserve or conserve the resources. So on climate actions we are working on reducing our electricity consumption, optimizing consumption. We are looking at reducing the wastages by introducing new ways of working and then using the renewable resources or the natural resources for energy.

Our new structure building in Ambarnath plant, I think we have a, we will be already launched that is already silver lead green building certification. So all these actions are going to help us to create that sustainable business model sustainably. So lot happening. And we really appreciate your patient hearing and looking forward to engage in a conversation where we can take questions-and-answer to your satisfaction.

So thank you very much. I appreciate your support to Huhtamaki India and back to the connector to kind of start the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session.

Dhananjay Salunkhe: Can I ask how many people are there on call?

Moderator: Sir we have around 80 plus.

Dhananjay Salunkhe: Okay. Thank you.

Moderator: First question is from the line of Aditya Khetan from SMIFS Institutional. Please go ahead.

Aditya Khetan: Yes, thank you sir for the opportunity. Sir, my first question is sir, of the sequential growth of 6.6%, so this is led by your realizations or by the volume?

Dhananjay Salunkhe: So sequentially if you see quarter two to quarter three, I mean it's a mix of both. So we have definitely improved our volumes in certain pockets where we had taken the strategic position. So the volume growth is around 8%. Whereas because realization I would say we had to, because the commodity started going down. So in fact we have to kind of pass on the certain raw material changes to our customer. So it's like driven by volume growth.

Aditya Khetan: Okay. And then what would be the sustainable tax rates for CY '24 and CY '25?

Dhananjay Salunkhe: Can you repeat your question?

Aditya Khetan: Sir, what would be the sustainable tax rates? Tax rates are which we can take for CY '24 and CY '25?

Jagdish Agarwal: So you are talking about financially '24, '25, right?

Aditya Khetan: Yes, yes.

Dhananjay Salunkhe: So we have obtained for 150,000, so we are into the 25% tax regime. And at this point of time, we have a visibility that we'll go into the tax bracket, unless if some new judgment comes, and then we'll have, you know, like in this year we had a certain diversions of uncertain tax positions that has in favor to us otherwise we will be into the 25% tax bracket. We would expect to continue in that.

Aditya Khetan: Okay, and sir, what would be the current utilization of our plant, the current run rate?

Dhananjay Salunkhe: So we have various footprints. So we have a flexibles manufacturing, we have a pressure sensitive level manufacturing at various locations. So utilization ranges from 55% to 65% depending upon the various locations. But overall I would say around 60%.

Aditya Khetan: Sir 60% last quarter also was the same figure. So this quarter also like roughly we are at almost at that level only.

Dhananjay Salunkhe: Right.

Aditya Khetan: Okay. And sir this blueloop brand I believe sir so this kind of so there are many materials or products of the similar you can say of type like the blueloop. So how is Huhtamaki differentiable in terms of their like brand and quality into this brand? And currently sir as you had mentioned earlier also that around 20 to 25 products are sold by this blueloop brand. So what is the number like for the next two years only we are targeting to take this around from 20% 25% and how this will improve your margin trajectory going ahead?

Dhananjay Salunkhe: So I think you have asked many question at the same time like three so I'm trying to remember so first thing is that you know the Overall blueloop is basically by the way I mean Huhtamaki is clearly known as a leader in industry for quality and service and that remains With the help of a blueloop,we will be offering certain products which are basically in a mono material category and those are the investment what we are making.

So in a layman's term I would say without getting into too much technical there is a new film manufacturing process called MDO which is Machine Direction Orientation or Oriented. So that process will be used by Huhtamaki, which is not common across but we have our own patented formulations to improve upon the product offerings and that is why we have created the our own brand which is called blueloop which is basically circularity like design for circularity because it enhances the recycle ability.

And the last point what you asked if I remember correctly was how the margins will play along so basically as you see that we are definitely getting into a film manufacturing as well which is kind of a backward integration so there will be no combination of film margins and conversion margins. So there is definitely potential.

Aditya Khetan: Okay and so this current margins so currently sir we are witnessing that majority of the commodity prices with the rise in crude they have started to move up. So do you see any sort of a impact in the coming quarters in the margins? So current margins of like 6.5% to 7% can they maintain or there could be a risk on to the downside if the crude price like goes up or stays at the current level?

Dhananjay Salunkhe: So see as we work with closely with our customers. And there are mechanisms. So essentially, I would say, like when we see in the last few quarters that prices are going down, we have to pass it on to our customers very transparently. Similarly, if upcoming, only thing is if it doesn't happen very quickly. We have certain mechanisms placed with our customers, which kind of, I would say, protects us on both sides. When it's goes down customers get protected, when it goes up we get protected.

Aditya Khetan: Okay so these margins can be maintained like that's what just I wanted to understand?

Dhananjay Salunkhe: It depends on you know always this is basically how it's like not only one play right it's raw material productivities and then the capacity utilization and all the suspects four five levers are there coming together right it's only not about the crude oil or only same prices right so it's a whole gamut.

Moderator: Thank you. Next question is from the line of Nilesh Shah from Arrow Investments. Please go ahead.

Nilesh Shah: Hi. Good evening. Congratulations on a good trade of earnings and operational efficiency despite lower sales. So congratulations for that. I have a couple of questions. My first question is that we have shifted three plants, small size plants, to different larger facilities.

What do we intend to do with the existing old infrastructure that we have? That is the first point. Second, if you can throw some highlight on what we decide to do with the proceeds of the sale of the Thane land if and when it happens. Is there any clarity on how and by when we can conclude the deal?

And the third, since we are doing backward integration and starting to manufacture the new films, what is the kind of production capacity that we are looking at setting up? So that will be my three questions, please. Thank you.

Dhananjay Salunkhe: So first question, maybe I'll also invite the Jagdish to answer on a couple of them later. So these three small plants that we consolidated in our larger plants. So out of three, two plants we had leased out. So we have kind of surrendered the lease according to the terms and conditions.

And then we have one plant very, very, very small infrastructure available. So of course we are taking a view in terms of our network optimization plan. We will take a call with that small infrastructure. Proceeds of the land, definitely I will invite Jagdish later. Before that, I just answer the production capacity.

So what we are invested now is the mini school of what our overall requirement of our film. So we will be definitely looking at, and that's what we keep on saying, that network optimization will be one of the key strategies going forward. So right now we have invested in one plant, which will be adding somewhere around 10% to 12% of our requirement of films which we buy from our site and then basis the overall business case we keep on evaluating the further capacity additions.

Nilesh Shah: I have an idea in terms of number of volume in metric terms or anything of that sort is there a number that we can attribute to that 12 percent?

Dhananjay Salunkhe: Not really Nilesh, I'm sorry is it Nilesh right? So look our products are basically a combination of three like you know in the square meter then the gramage and then it forms ternate. So it purely depends upon the product mix what we make. So our products also are ranging from 70, 50 micron or 60 micron to 120 micron or even some tube laminates like products are basically 200 micron. So it depends purely on you know product mix available so it's very difficult to give a number such as a 10 age or so.

If I understand just to add on to that are we looking at only our self-consumption or are we going to sell this blueloop technology films to other manufacturers as well? So clearly it's a self-consumption to be that's the in fact that's going to be put this patented technology and at this moment it's clearly that it is for self-consumption but yes we will be exploring the franchise model not selling to any technology.

But franchise model because you know an overall ecosystem in India and not only in India elsewhere customers definitely would have a certain requirement from their purchasing policies so that is where we will be exploring those options but at this moment it's clearly that it's a self-consumption but we may explore franchise model going forward later on but not now.

Moderator: Thank you. Nilesh, sorry to interrupt. I would request you to come back in the question queue for the follow-up question.

Dhananjay Salunkhe: But when I think he had a question on this proceeds of Thane land, so I think with a due fairness maybe Jagdish can answer that.

Jagdish Agarwal: So thank you for asking for that question. Still I have to deliver a message and as of now we have not formed up that how we are going to utilize that money. First all endeavor and focus is that we want to close the deal and do that announcement and definitely we will come back once we have that firm commitment in place.

Moderator: Thank you. Next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.

Bharat Sheth: Sir, can you elaborate a little more exactly on this Silvassa new facility that we'll be starting is meant for what exactly it is for backward integration of the film or it is a and second thing when you say that is MDO when will introduce this blueloop so how other machinery and other plants will be able to take it up or again we need to re-permise those plant or replace the plant if you can give little more color on that?

Dhananjay Salunkhe: So this investment in Silvassa is basically for manufacturing of the films. Okay. Which will be typically blown film lines as well and this is MDO which is machine direction-oriented film manufacturing. So this comes as a essentially a film which will be definitely used on our existing machines. So there is no need of adding any further infrastructure in terms of printing or conversion.

Okay, so there is no need. In fact, our endeavor is that we are developing these films in such a way and our products in such a way that in fact when we go to the marketplace with our customers and that's what I indicated that we are proactively taking trials at the customers packaging machines. So that they also do not have to change any infrastructure at their place in terms of machines or in terms of accessories and in terms of productivity. So that's how our endeavor is.

Bharat Sheth: Okay. And sir is this film is different from this BOPP or it's the same kind of a film?

Dhananjay Salunkhe: So as you said, BOPP is a biaxially-oriented polypropylene, so it's the one type of film so there are 100 types of films right so. Here on this machine, this is basically meant for PE polyethylene base and which will be essentially mono material and so on so that's how it is.

Bharat Sheth: And when do we expect and what could be the potential asset and if one can and how much investment we have made in this plant?

Dhananjay Salunkhe: So investment, this is basically, we at this moment, we are just in the process of investing. So not able to give an exact number. And we are looking at next quarter for some startups.

Bharat Sheth: So it will be a trial run or commercial with?

Dhananjay Salunkhe: Yes, it's kind of because it's a new technology, patented technology. So the gestation period or trial periods are slightly higher. But yes, `we are looking at kind of a start. And then there are certain already commercialized product portfolios, which we do it from either from our imported, because elsewhere in the world, they're already started. So we import. And then so there are certain products which are already validated for customers, which will be commercialized.

Bharat Sheth: And any color on the asset turn of this investment?

Dhananjay Salunkhe: Not really, because as I said, we are just introduced or invested in that, so it will have to be kind of going forward. It depends upon how we are able to convert our customers.

Bharat Sheth: And last question. Is it fair to understand that we'll be convert our film manufacturing as well as converter also? As well as we may be selling to other converter. So wherever we do conversion, we have this film margin as well as conversion margin. And wherever we sell to third party, it will be a margin of the film, correct?

Dhananjay Salunkhe: You can say that.

Bharat Sheth: Okay, thank you and all the best.

Moderator: Thank you. Next question is from the line of Saurabh Patwa from Quest Investment Advisors, please go ahead.

Saurabh Patwa: Thanks a lot for taking the questions, sir. Sir, just wanted to have thoughts on a few things. One is, when we see your nine-month number and even if you see the third quarter number, compare that with the pre-COVID year, which is 2019, the revenue number remains look similar.

However, the EBITDA margin has been compared very sharply. Of course, part of it is also linked with your gross margin compression. But so the first part of the question was like, how much scope you believe there is still there left in terms of gross margin improvement?

And secondly, you also highlighted that the mono material has a single layer that means it has a lower volume. So, structurally are we going to see lower volumes and high realization?

Jagdish Agarwal: Okay. So I mean, the moment we talk about a unit number that looks like that, we are required a forward-looking statement, which we normally don't talk about that. It's very difficult to say that what kind of a room we have, what kind of margins we're going to have in the future.

But if you look at our last three-quarter performance, there is a good improvement, and there are reasons for that. It's not about that we have the input prices are softening and all, but there are a lot of strategic initiatives and a lot of long-term initiatives which as a company we took to ensure that we remain competitive in the market that talk about office efficiencies, that talk of footprint optimizations, that you talk about looking into each and every spend what we do to the company. And having said that if you compare that 7.6% EBITDA what we have in this quarter, third quarter 2023. And if you compare the same, it was a 3.3% on third quarter 2022.

So there's a significant improvement if we talk about that compared to last year and this year. And we believe that our endeavor is that we want to remain like if we talk about our aspirations for 2030, we are saying that we would like to grow very aggressively in top line. At the same time, we have aspirations to be in a double-digit gross margin, double digit debit margins. That's our journey and that's aspirations we have.

Now in between it's very difficult to comment on in numbers, but I think that talk about our intent and that talk about the performance what we had in the last couple of quarters.

Saurabh Patwa: So again, so that is my second question actually, which is which I asked already like, so when you say that a part of the growth will be driven by the blueloop, which is single layer and will have lower volumes, which you highlighted at the beginning of the call. So how do -- does that initially also mean that since we're also targeting a larger, sharper revenue growth, the pricing would be substantially higher?

Dhananjay Salunkhe: Yes, so I think let me as I said earlier, the blueloop talks about three things together, right? I mean, let me remind that. One, is about the protection, because our products are expected to provide the protection, which is a barrier property, right? I mean, for the food packaging, or in detail, essential packaging, there are two requirements, OTR and WVTR. OTR is Oxygen Transmission Rate versus WVTR is Water Transmission Rate, right? So those are important.

So while we offer the same protection to the brand owners, which is our STM to customers. What we said is the products will be recyclable, which is where that mono-material comes in and then affordability. So essentially in order to make those affordable and because they are mono material, there will be definitely a reduction in plastic intensity. So essentially, the plastics will come down and that's the value proposition for our customers that they reduce the plastic.

At the same time the protection for the product remains the same and because there is a reduction in the plastics and so overall this one there is an affordability. At the same time, so as you said maybe let me preempt your question, you are looking at volume, means tonnages probably they may come down but look ultimately the square meter will be same and because we will be using more extensive material that is where the realization might be better.

Saurabh Patwa: Understood. And sir just one clarification, when you mentioned an answer to the previous part of the question that the volume growth was 8% and your capacity utilization is same as last quarter. So does that mean that as you are trying to create a market for blueloop, you are importing some bit of it and that's how, that's why there is this gap between for a similar capacity utilization, volume growth is higher or it's something else?

Dhananjay Salunkhe: Not really. So the import is very small and that's basically on a very only one particular category of a product and that does not really influence the overall capacity utilization. But at same time as we mentioned earlier, we are having four-pronged approach. So operational excellence or unlocking the productivity internally is definitely showing certain results.

So while I said capacity utilization is a various plant location, certain plants are now doing really well so that it's realizing the productivity benefits. So overall, I would say that latest my number looks to be 60% to 63% on capacity utilization which is slightly up than the previous quarter whereas volumes have gone up by 8% so it's like a combination of productivity improvement and the capacity, slight improvement in capacity.

At the same time, may be one point I would like to kind of explain this. As a converter, we have a set of processes, like we have a printing, we have a lamination, we have a conversion, slitting and so on and typically, we look at a capacity utilization as one important operation which is printing. –But as a whole gamut of activity of the Company, capacity utilization combines all other equipment’s as well. So that's how you need to calibrate.

Saurabh Patwa: Understood, sir. Just last thing, then I’ll join back the queue. Is on the slide 12 on blueloop, you mentioned highlighted about projects international markets, which forms part of the pipeline. Can you just throw some light on it?

Dhananjay Salunkhe: Yes, so we are having large export-based customers from India we service and there are projects which are basically with existing our exports customer we are running. At the same time, as I said in the previous call as well, this is a global project. So we are investing parallelly in Germany, we are investing in India, we have invested in Turkey, we are invested in Thailand. So the projects are also emanating from those countries also which are kind of required to be supplied from India and so on.

So you know, there is a good collaboration across and there are certain global customers we have. I mean I can't name those customers but we service them from India, globally for certain products and then certain products are serviced by our global & other regions to even to India, this is the product structures and constructions. So there are good pipeline available there.

Saurabh Patwa: Understood, thanks a lot sir, we'll join back.

Dhananjay Salunkhe: Thank you.

Moderator: Thank you. Next question is line of Harshit from RoboCapital. Please go ahead.

Harshit: Sir, I want to understand where the industry is headed like what the competitors are working on and what special the company is doing to add value to the customer like how it will get ahead in the competition.

Dhananjay Salunkhe: So, if I understood your question you would want to understand more on a flexible packaging industry, market situationand then what competitive activities. So, then look, maybe let me start with the overall industry construct and as you can see that we have a mix, erratic or I would say mixed monsoon, so which is definitely every company is looking at it very cautiously, how the volumes are going to get developed. At the same time, there is a mixed signal because of this thing.

So, one, we are seeing certain volumes uptake onI would say lower product category or lower pyramid, which is clearly seen as a customer or consumers are down trading, where we are seeing some volume, but overall, there is a cautiousness and which is again reflecting on to the flexible packaging industry. So definitely flexible packaging industry, if you see for last 10 to 12 years have been kind of pushed to the commoditization and that is where we as a Huhtamaki come in picture because we keep on raising the bar in terms of innovation and creating the options to the customers which are basically better.

So, from a competitive activity of course competition we don't really look at from a price, from a volume perspective but we consider ourselves from what we are take to the market from an innovative packaging solution offering. So that is where we are trying to play and as I said, we have that our strategic intent and we call it where to play and that where to play is clearly articulated as a globally we are food packaging solution company and delicacies and that is how we are aligning our aspirations. We are defining categories, we are defining our products, we are defining the structures which we are stronger and are having the ability to create a differentiated offering and that is where we will be continue to play. We do not intend to play in areas where they are already commoditized happened.

Harshit: Okay, sir. Can you share some light on blueloop? Because the line was cut. So

Dhananjay Salunkhe: Yes, I think we had three to four questions on blueloop so maybe to fair I will again explain. So the blueloop is basically our enterprise-wide product offering and this is a branded solutions on a sustainable packaging which are basically having a IP product, innovative products which are patented. And we have invested equipment's in our Silvasa plant and these products are basically will give us, give our customers the affordability recyclability and the protection required for their products without compromising quality and service. And this is basically coming from a sustainable product offering. So this will have a lesser plastic so it reduces the carbon emissions and so on. So that's how the overall offering from our blueloop.

Harshit: Okay, sir. Thank you.

Moderator: Thank you. Next question is from the line of Vipulkumar Shah from Sumangal Investments. Please go ahead.

Vipulkumar Shah: Hi sir. So three, four years back if I remember correctly, our margins, EBITDA margin used to be in the range of 10% to 12%. And so we have come down very drastically and we are recovering very gradually. So my question is, when can we expect that type of margin and what is the roadmap for the recovery of EBITDA margin?

Dhananjay Salunkhe: I think this question was answered by Jagdish earlier that to be aspirationally yes, we want to go to double digit EBITDA and EBIT margin in a near future, EBIT can say and that is what we are investing into the new technology and innovation. We are looking at unlocking our potential, unlocking internal efficiencies, operational productivity and so on so very difficult to put a date to it but of course, I mean we are thriving or striving to achieve that as soon as possible or as early as possible.

Vipulkumar Shah: Okay, thank you, sir.

Moderator: Thank you. Next question is from the line of Priyank Parekh from Abakkus Asset Managers. Please go ahead. Due to no response we move on to the next participant? Next question is from line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Yes. Namaskar, sir and thank you for this opportunity. Just taking that discussion forward. As you mentioned that, we are in the annual of improving our margins and going to that double-digit number. So I think so sir, the employee benefit expenses as a percentage of sales I have remained elevated over a period of time. So what steps are there in the annual or the rationalization steps for as a percentage of employees cost, as a percentage of sales can be lowered going ahead?

Dhananjay Salunkhe: This is a good observation I would say. So we also realize that and that is why if you see we have taken certain strategic initiatives and one of them was basically footprint rationalization and that's what you would have seen announcement of consolidation of larger smaller plants into large. So, which should help us to kind of improve upon our synergies.

The second part is yes, I mean as we said we took a strategic position in first quarter of this year and despite and you can see that strategic position helped us to revitalize our trajectory in terms of EBITDA or EBIT. But that strategic positioning was basically from different reasons that in spite of losing volume. We wanted to make sure that our financial becomes stronger.

And now riding on this we are definitely looking at how we grow further and grow further in terms of volumes, grow further in terms of revenues. And we do that, that's where the ratios of let's say, personal cost per sales will start improving. At the same time, we are in India and you know the inflationary environment and so on. So it's our responsibility as a large corporate company that of course we need to improve our lives of our employees as well. So we take both actions in the same breath.

Jagdish Agarwal: And just to add on that, like if you look at nine months employee cost, we have a board less flat, in a market where the employee cost inflation is in the range of 8% to 9%. So if you look at nine months data, it's almost flat.

Dhananjay Salunkhe: And that too with annual increments.

Jagdish Agarwal: Yes, that's what I'm saying. It's in the situation of 8% to 9% employee cost inflation market.

Saket Kapoor: Sir, the headcounts have also remained the same. Is it a like-to-like comparison when we compare the nine months for '22 and '23, the employee cost, or how should we look into it? As you mentioned that there is no increase.

Jagdish Agarwal: So employee headcount has changed. So for example, at the start of year, we probably had close to 3,000 employees and now we have around 2,600 or so. There is a definitely reduction of number of employees, around four, which emanated from this consolidation and certain natural attrition and so on. So that's how we are also managing on that front.

Saket Kapoor: Sir, actually, that explains the flattish number for nine months. It is not that, we have kept the number low because of containing the employee cost. It is the lower headcounts and that attributed to the lower employee cost?

Jagdish Agarwal: But that is fair, no?

Saket Kapoor: I was just coming to the point, which sir, which our CFO explained that it has remained flat but when you take the likewise-like-to-like comparison, it is because of the reasons as explained. It is not that we have kept it flat because of our efficiencies rather that is my moot point for us?

Dhananjay Salunkhe: No, I would have slight maybe not disagreement but look the employee probably headcount reduces but then at the same time, you pay annual increments. You also promote the deserving employees and so on, so there is an increase. There is also inflation like for example, we have almost like what 1,800 or more than that operating people on the shop floors, where their DA keep on changing and then I think as a fair company or organization, we follow each and every law which is law of the land.

So that's what the increases or inflationary increases, we have to deal with and how we deal with, so in fact, which is in fact you can see in a positive light that there is a 12%, 13% reduction in the employees and because of course, there is volume challenge and then but that's how we are reacting to it and then unlocking the productivity. So which augers well for the productivity improvement.

Moderator: Thank you. Saket, I will request to come back in the question queue for a follow up question. Next question is from the line of Priyank Parekh from Abakkus Asset Managers, please go ahead.

Priyank Parekh: Yes, thanks for the opportunity. Just wanted to understand on the blueloop, is it going to replace our existing product, if any, or it is going to be the increment sales?

Dhananjay Salunkhe: So again a good question and I'm happy to see that you are thinking very deeply about companies. So it will be mixed, okay. So there will be replacement and then there will be also new. So I would say replacement will be like largely because companies are kind of going from a multi-layered plastic to recyclable plastic. So that definitely is a replacement.

At the same time because this is a very innovative product and can offer certain barrier properties, which are unheard of, because of the confidentiality product requirement, I can't give you the values but there are certain products which are clearly structures, which are replacing certain expensive material and that helps both customers as well, so it is going to be replacement and new opportunities which are not at this moment to us. So that's how, I will put it.

Priyank Parekh: Okay and second question is, is this IP would be owned by our parent or is it going to be India specific IP? How this arrangement is going to be?

Dhananjay Salunkhe: Parent.

Priyank Parekh: Parent, okay so being a technological driven IP, do we have to pay any sort of royalty or any sort of debt thing to our parent, going forward?

Dhananjay Salunkhe: So we are not entering into any specific contract about this. We do have any existing agreement in place, which we have signed on that.

Priyank Parekh: Okay, so where I am coming from is the impact on our margins like, if the incremental margins we are going to do with blueloop, is to be consumed in form of any fees or royalty won't have that great effect on our margin despite being a value-added product?

Dhananjay Salunkhe: So we have not signing any new agreement per se on that aspect.

Priyank Parekh: Okay, got it. Yes, thank you. That's it all.

Moderator: Thank you. Next question is from the land of Hiten Boricha from Sequent Investments. Please go ahead.

Hiten Boricha: Yes. Thank you for the opportunity, sir. Lots of my questions have been answered. I just want to understand as you mentioned our utilization is improving with that like 60% as well as volume is going up. So like, what kind of growth we are looking, considering the raw material price is also coming down, demand is also going up. So what kind of growth, we are looking for let's say next one year or two years?

Dhananjay Salunkhe: So look, we classify, still we classify ourselves as a derived demand industry, right? We do not have our own brands, which we can make a marketing company and influence the consumption. So essentially, what our customers' consumption patterns actually defines our growth trajectory. So providing any guidance or visibility for next two years, three years, couple of years would be difficult.

At the same time, as I said in the past conversation, definitely we took some strategic position at the start of the year, which showed that, it is clearly giving us some results and we are clear now, how do we want to play in India market which is known for a very huge competitive activity and the cost consciousness but within that, we have definitely clarity about, what we would-we need to do to grow our volumes and the revenues.

As you said, very clearly our prices are predominantly decided by the raw material price movement because we have a lot of agreements with our customers. So it is difficult because raw material prices goes up, revenues goes up, irrespective of volume growth and so on. So it is like a vice versa. So at the same time, the mute-point is that we have a good clarity on our strategy, how do we want to play? We use the confidence from run for last three quarters performance.

Hiten Boricha: Okay. Yes. And one more question on the inventory side. Can you help for how much days the inventory will be kept in inventories?

Dhananjay Salunkhe: So it's roughly 30 days. Less than a month large. 28 days, 30 days is typically cycle. And we keep on adjusting our order cycle. This is that.

Hiten Boricha: 28 days to 30 days, right? Okay. Thank you.

Dhananjay Salunkhe: Yes.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to the management for closing comments.

Dhananjay Salunkhe: Yes, Jagdish, you want?

Jagdish Agarwal: I think, again, I just want to reinforce the same message where we have started. Management is taking all steps to ensure that, we continue to perform better. And last three quarters, when we look at that we are trying to make a significant improvement on that, we'll continue to make the continued effort on that. And I believe there's was a one question about the days of inventory and when you talk about days of inventory, so there are a mix of many things.

So specifically, when we talk about the Raw material and that kind of inventory, we noted that, it's 20 days to 30 days. Just wanted to clarify that. With that, you want just, Dhananjay, for your last comment.

Dhananjay Salunkhe: Yes, so thanks everyone on call and ICICI to organize this call. And I could see a lot of questions were revolving around our performance of last quarter as well as definitely certain things which are happening on the volumes, the blueloop and the overall trajectory, where we are heading for so.

Thank you for all these increased issue questions and I hope, we were able to address and answer all of your questions and would look forward to continue this journey and as well as continue this engagement with investors every quarter. Thank you and appreciate all your support.

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