KNACK PACKAGING LIMITED
(Formerly known as Knack Packaging Pvt. Ltd.)
Manufacturers & Exporters of PE/PP Woven Fabrics/Bags & Printed and Laminated Woven PP Bags. (PLWPP)
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CIN No.: L25200GJ2013PLC073847

Date: 02/11/2026

To,
BSE Limited
Corporate Relationship Department,
25th Floor, P J Towers, Dalal Street,
Fort, Mumbai – 400001.
SCRIP CODE: 544814

To,
National Stock Exchange of India Limited
Exchange Plaza 5th Floor, Plot no. C/1,
G Block, Bandra Kurla Complex,
Bandra (East), Mumbai – 400051.
SYMBOL: KNACK

Dear Sir/ Madam,

Subject: Transcript of the Q2 & H1 FY27 Earnings Conference Call.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Earnings Call on Unaudited Financial Results (Standalone and Consolidated) of the Company for the second quarter and half year ended on 30th September 2026 (Q2 & H1 FY27 Earnings Conference Call) held on Wednesday, 28th October 2026.

The said transcript is also available on the website of the Company at: www.knackpackaging.com.

You are requested to take the same on your records.

Thanking you,
Yours faithfully,
For Knack Packaging Limited

RAVI KUMAR RAMNARAYAN PASI
Digitally signed by RAVI KUMAR RAMNARAYAN PASI
Date: 2026.11.02 17:22:44 +05'30'

Ravikumar Pasi
Company Secretary & Compliance Officer
Membership No.: ACS-28167

Encl.: As above

“Knack Packaging Limited

Q2 & H1 FY27 Earnings Conference Call”

October 28, 2026

E&OE: THIS TRANSCRIPT IS EDITED FOR FACTUAL ERRORS. IN CASE OF DISCREPANCY, THE AUDIO RECORDINGS UPLOADED ON THE STOCK EXCHANGE ON OCTOBER 28TH, 2026, WILL PREVAIL

MANAGEMENT: **MR. ALPESH TULSIBHAI PATEL – CHAIRMAN AND MANAGING DIRECTOR – KNACK PACKAGING LIMITED**
DR. AJAY KUMAR DUBEY – CHIEF FINANCIAL OFFICER – KNACK PACKAGING LIMITED
ADFACTOR PR – INVESTOR RELATIONS – KNACK PACKAGING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY27 Conference Call of Knack Packaging Limited. 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.

We are pleased to have with us the senior management team led by our Chairman and Managing Director. Mr. Alpesh Tulsibhai Patel, and our Chief Financial Officer, Dr. Ajay Kumar Dubey, who will share his perspective on the company's performance for the quarter and the key business developments during the period.

Before we begin, I would like to remind everyone that certain statements made during this call may be forward-looking in nature. These statements are based on current expectations and are subject to risk and uncertainties that could cause actual results to differ materially from those expressed or implied.

I now hand the conference over to management. Thank you, and over to you.

Management: Good afternoon, and thank you all for joining Knack Packaging Q2 and Half-Year 1 Financial Year 2027 earnings call. On the call, I am joined by Dr. Ajay Kumar Dubey, our Chief Financial Officer, and Adfactor PR, our Investor Relations partners.

I'm pleased to share that Quarter 2 FY27 was a stable and strong growth for Knack Packaging. In Quarter 2 FY27, we delivered our highest ever quarterly revenue. On a consolidated basis, the revenue from operations rose 52.5%, EBITDA rose 29.9%, and PAT rose 21.2%, all on year-on-year basis.

Talking about the industry, the first half of the year was a challenging period from an input cost perspective. The conflict in West Asia disrupted supplies and price of polypropylene. Our key raw material rose more than 50% within few weeks, and the prices remain elevated throughout the quarter.

At the same time, disruption in the Red Sea increased the freight cost, which matters to us as an exporter to 75 countries. This factor exerted pressure on the industry as an increase in input and logistic costs outpaced the pace of corresponding selling price revision.

Knack was impacted by this industry-wide cost pressure. However, with our 3 decades of experience, long-standing relationship with our vendor, and strong procurement ecosystem, we were able to mitigate the price rise.

Talking about our EBITDA, it grew on absolute basis. However, the EBITDA margin was impacted in Q2 FY27. About 45% to 50% of our customers are on conversion cost model where the bag price moves with the polymer price.

But this price revision takes effect and we have already revised prices with our customer and initiated cost pass-through. And we expect this to reflect in our realization from Quarter 3 FY27 onwards, subject to market conditions stabilization.

Despite this, we see immense growth in the industry. Our growth ahead lies in our competitive strength We have focused on 3 key pillars, which are product innovation, integrated manufacturing facility, and our long-term customer relationship.

We work closely with major companies in food, pet nutrition, fertilizer, and other 25 plus industries, and many of our customers have grown with us. Packaging typically accounts for only about 1% to 2% of our customers' end product price, yet it is often the first physical touch point between a brand and its consumer and can influence the purchase decision, especially in the competitive categories.

Once supplier has proven its reliability and consistency, customer rarely risks a change. As a result, our customer stickiness is very high. As on 30 September 2026, we served more than 2,040 customers with 13,974 SKUs, up from 2,000 customers and 13,500 SKUs at the end of Quarter 1 Financial Year 2027.

Our export market contributed a significant part of our revenue during the half as of September 2026, and we sold to 75 countries across 6 continents, up from 74 countries at the end of Quarter 1 FY27 and 71 countries in FY26.

Our exports included US, Europe, Asia, and Africa. Coming to H1 FY27, our top-line growth was driven by significantly higher export volumes, deeper wallet share with existing global FMCG, pet food, and agri customers and addition of new international accounts.

We saw sustained demand from our premium bags both domestically and in our export market. Importantly, we began fulfilling orders from new customers ahead of our next phase of capacity expansion.

As a recent update, on 2nd October 2026, we announced a new order and 3-year contract renewal worth about INR150 crores per year from an international customer, one of the largest private corporations in the world from the pet food and animal nutrition packaging, including in the United States. This renewal underscores our reliability and our product quality at a global scale.

Looking ahead to the rest of FY27, our focus will be on profitable growth. Our priority is to restore our EBITDA margin as pricing adjustments flow through from Quarter 3 FY27 and then to improve it further by increasing the share of value-added products, controlling costs, leveraging our integrated setup. We also scaling up the Sayem Knack JV in Mexico towards breakeven and building our order book more stronger.

Now I will hand over to Dr. Ajay Kumar Dubey, our CFO, who will provide the detailed financial highlights for Q2 and H1 FY27.

Ajay Kumar Dubey: Thank you, sir. Good afternoon, everyone. I will now walk through our consolidated financial performance for Quarter 2 Financial Year 2027 and H1 Financial Year 2027. Quarter 2 performance, revenue for Quarter 2 performance 2027, our consolidated revenue from operation was INR294.76 crores compared with the INR193.26 crores in Quarter 2 Financial Year 2026, a year-on-year growth increase of 52.5%.

This growth was driven by the significantly higher export volume, deeper wallet share with the existing customers, new international accounts, and ramp-up of recently added capacity. About EBITDA and margin, our EBITDA for Quarter 2 Financial Year 2027 was INR49.77 crores compared with INR38.30 crores in Quarter 2 Financial Year 2026, up 29.9%. The EBITDA margin was 16.35% against 19.25% a year ago, a decline of 285 basis points. This reflected industry-wise cost pressure. Polymer price rose with the crude oil and freight cost increased because of disruption in the Red Asia.

Pricing adjustment with our customers follow up with a lag of 1 or 2 quarters, and we expect margin to recover from Quarter 3 Financial Year 27. About the PAT, profit after tax for Quarter 2 Financial Year 27 was INR25.02 crores. Versus INR20.64 crores in Quarter 2 Financial Year 26, up 21.2%. The PAT margin for quarter was 8.22% compared with 10.34%, a decline up to 212 basis points.

Apart from this pressure on EBITDA PAT, was affected by INR2.62 crores share of loss of Mexico JV in Q2. Which I explained in the half-year numbers. Basic EPS after quarter was INR2.07. So now H1 performance, I'll just review. So revenue of H1 Financial Year 27, consolidated revenue from operation was INR569.11 crores, up 47.2% from INR386.73 crores in H1 Financial Year 26.

EBITDA and margin. EBITDA for H1 Financial Year 27 was INR108.94 crores compared with INR76.98 crores in H1 Financial Year '26, up 41.5%. The EBITDA margin for half was 19.14% against 19.91% a year ago. ROE stood at 19.42% With ROC at 28.76%, the moderation in ROE and ROC was expected outcome of the IPO, which expected to capital base.

The funds were progressively deployed toward the capital expansions and growth initiative. Both ratios were expected to improve in the coming quarters. About the PAT, profit after tax, for H1 Financial Year 27 was INR55.55 crores compared with INR41.30 crores in H1 Financial Year '26, up 34.5%.

The PAT margin was 9.76% against 10.68% in H1 financial year '26. PAT for half included a loss of INR6.06 crores from the Sayem Knack JV in Mexico. The JV is a scale-up phase and these loss flow direct into the consolidated PAT with no matching revenue yet. As the JV reach breakeven, these drugs will reverse the support of our PAT margin.

Key ratios about our balance sheet is strengthened further. Debt-to-equity ratio improved to 0.26 times from 0.68 times a year ago. And our working capital cycle was 75 days against 76 days in Q2 FY26.

With this, I open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Bhawana Israni from Ambit Asset Management. Please go ahead.

Bhawana Israni: Hello, am I audible?

Ajay Kumar Dubey: Yes, madam, you are audible.

Bhawana Israni: Yes. So good morning, sir. So just wanted to know how much volume growth we have done in this quarter and what is our current plant utilization?

Ajay Kumar Dubey: So basically, in last quarter we have closed 10,940 metric tons and this quarter we closed 11,252 metric tons, which is 3% growth from the quarter. Basically, our plant is almost utilized 90%, 91% capacity.

Bhawana Israni: Okay, so current utilization and how we are seeing the capacity buildup coming in, because as we are running at 90-91% utilization, so how the volume growth is going to be in coming quarters?

Ajay Kumar Dubey: Just we have added 5,040 metric ton quantity in month of August only, and the plant is just starting to ramp up. And we are expecting for almost 50% of utilization of new capacity plant, which is almost 2,500. So, we expect in quarter 3 financial year, that would be better, in terms of quantity production and sale metric ton compared to quarter 2.

Bhawana Israni: Okay. And so, coming to the raw material price inflation, so how much price hikes we have taken in Q2 and how much we are planning to take in Q3? As we said, there is a deferment in the price pass-on and there is a quarter lag in price pass-on. So how much we have taken and what we are expecting in Q3?

Ajay Kumar Dubey: So the price is continuously improving due to West Asia conflict. We are continuing under discussion with our customer. Almost 45 to 50% customers we have which we have the contract to pass on whatever the material price increase or decrease. But since we have already engaged with our customer and some of customer has already passed on the price, so the raw material price, if I can say only the quarter 2, in initial of the quarter and ending of the quarter, there is almost 26% raw material has been increased.

But in our gross margin, there is an impact of the 7%. Rest we have already, passed on to the customer and continuous we have already discussions So that pass on reflect in the quarter 3 majorly, and we are expecting a market would be stabilized and things would be in line, then 3rd quarter would be much better compared to 2nd quarter.

Alpesh Tulsibhai Patel: And also, I'm adding to in that, see, our product scenario is what, like today we can finalize the product SKU for the bag, and that design cylinder and process almost take 1, 1.5 months for the delivery. So, when whatever orders we have in the last quarter, we deliver in this quarter, and this quarter price is gone up like a 25%, 30% immediately.

So, impact on that, our pricing, buying pricing is little bit, little bit expensive, and conversion ratio is continuously chasing to the customer and trying to get best volume, best pricing from the customer. But it will reflect on our next quarter. So it is a transaction history -- transaction scenario. That's what it is. The little growth margin is little bit not converted 100% as per the price increment.

Bhawana Israni: Okay. And so, what would be the volumes last quarter? You said 10,914 Q1 FY27. Q2 FY27 is 11,252. What would be the same number last quarter, last year same quarter Q2 FY26?

Ajay Kumar Dubey: So basically, we have added one more, this last, last year financial year '26 was 9,927, and we, growth is almost 13% to 14% compared to last year quarter 2 to this year quarter.

Hiten Shah: Okay,

Bhawana Israni: So, on the rough calculation, which I have seen, Yes, so go

Alpesh Tulsibhai Patel: Ahead. Also see, it's because as per the packaging This quarter is always the slowdown quarter due to the rain, but compared to the previous year, we are also 13% to 14% growth into the quantity level as well.

Bhawana Israni: Got it, sir. So, on the number's basis, our gross profit per kg is declined by roughly INR10 quarter on quarter, and the EBITDA level -- EBITDA per kg is down by roughly INR16 per kg, is currently INR36 versus last quarter we were doing at INR51-INR52. Is it correct sir?

Alpesh Tulsibhai Patel: Yes, absolutely right. And that's the reason I will tell you, the second quarter compared to the previous quarter, the price increment like a 25% to 30% immediately, immediate effect. And customer will give their price. We have a quarter -- first quarter order is delivered into quarter second because our production timeline is the 1-1.5 months. So, it will be reflected on the next quarter a little bit better, compared to this quarter.

Bhawana Israni: Got it, got it, sir. Okay, sir, this is from my side. Thank you.

Alpesh Tulsibhai Patel: Thank you, ma'am. Thank you.

Moderator: Thank you. Next question is from the line of Hiten Shah from Seven Islands PMS. Please go ahead.

Hiten Shah: Hello, am I audible?

Alpesh Tulsibhai Patel: Yes, sir. Yes please.

Hiten Shah: Morning, sir. So, I wanted to know the utilization of the pinch bottom machinery.

Alpesh Tulsibhai Patel: Yes, pinch bottom, just recently we added 2 machines on the quarter 1, like April month. We just started the 2 new pinch line, so we are, 100%. It is a 21% of the overall sales revenue. And also in that case, we have to convert the customer. It will take like a 4 to 5 months because the design bags and then they have to install their machine, filling machine.

So that all the process we have already started from very long back, and also, we, we will continuously process on that pinch bottom bag conversion ratio. But today, yes, we have 21% revenue comes from the pinch bottom compared to last year, it is 17 or 18 years approximate. So, this year we are also trying a good number on continuous years.

Hiten Shah: So, can I know the percentage utilization of the total metric ton per annum that we have for the pinch?

Alpesh Tulsibhai Patel: Oh, like, see, altogether is 90%-91% utilization. But yes, you are saying exactly the pinch bottom number.

Ajay Kumar Dubey: I think bottom is basically conversion.

Alpesh Tulsibhai Patel: Yes, conversion line. So, it is -- but yes, it is not 100% utilization of the pinch bottom new machine. It is almost approximately 60% to 65%-70% only after the new machine adding. So, in the pinch bottom bag, we have a little bit space to increase that ourselves, convert ourselves from regular bags to pinch bottom bags. And yes, we are trying to achieve that area as much as possible into the converting the regular bags into the pinch bottom bags. So, we have a space on that area.

Our overall quantity growth is not that much, but our conversion growth is also available with us with the pinch bottom bag. And last, last 2 quarters We are increasing that area, but yes, exactly quantity-wise we will update you

Ajay Kumar Dubey: If I can say the history of pinch bottom, first machine was established in 2017-2018, second was '21, third was '23, and two machine just was in last quarter, almost in March of '25. So that machine is under the ramp-up now. So almost, Alpesh bhai just said 60 to 70% is overall, and now that is increasing continuously. So, we, we are expecting the quarter 3 would be more production, more sale of pinch bottom.

Alpesh Tulsibhai Patel: And also adding the pinch bottom mainly used into the rice industry, and rice industry's market just come up now. This 3rd quarter is always better for our, as per history. So, 3rd quarter we are expecting much more utilization of pinch bottom bags into the rice industry. And we will get the good order already into the pinch bottom bag.

Hiten Shah: Sir, can I know the, metric ton per annum capacity of, quarter 2 of pinch bottom?

Alpesh Tulsibhai Patel: Sir, one machine covered like a 20, like a 22 million bags per month. So altogether, currently this year we, this quarter we achieve 11,252 metric tons.

Ajay Kumar Dubey: So capacity is major, sir. Basically, there is a process for -- first we have, tape line, then we have looms, tape line, gravier. So, these are the basically till the laminated fabric there is addition of the capacity. Now this is the 4th stage where the final finished outcome is decided. So, either we finish pinch bottom bag or we finish PLWPP bag. So that cannot be added to the capacity. But yes, 2 machines already installed in last quarter of, 4th quarter of financial year '26. So that machine is under the ramp-up.

Once our production capacity will be increased, because today we have already 91% capacity utilization. So, once we have the capacity with the spare for the production of more fabric, then our pinch bottom would be more utilization. So that is the converting machine only. We cannot say exactly what is the percentage of total utilization of pinch bottom only.

Alpesh Tulsibhai Patel: Sir, I will give you just one simple example. Like you are producing the textile fabrics and you are making the t-shirt or shirt, whatever you could give the good benefit. So same way we have fabric production. After now, our capacity is almost full capacity running with, but we are trying to instead of shirt, we are making a t-shirt because we get the good margin. So same, we are into the same phase like PLWPP. We have already the full capacity utilization, but that customer we are converting into the PLWPP plus pinch bottom bag.

So, we are trying to get upgrade our revenue and get the good margin on the pinch bottom bag. So that phase already is going on, and the next quarter for us is a better quarter for these pinch bottom bags, especially into the rice industry.

Hiten Shah: Okay, sir. And, one last question, the new facility will add around 30,000 metric tons to 32,000 metric tons per annum. So, can you give, give me a percentage of how much output will be from pinch bottom and how much will be from the normal PLWPP bag?

Alpesh Tulsibhai Patel: See, sir, very honestly, that is right now we are installed capacity is 42,000 metric tons annually. Out of that, we are almost actually like 39,000-40,000 capacity. After this expansion, our capacity reach into the 70,000, 69,000 to 72,000 in between. So out of that, there is a 6, 5 pinch machine is already installed and 2 new pinch machines will come up because that pinch machine delivery is almost taken 1, 1.5 year. So next year October, our target for the come up into the production.

So almost in between our existing 2 machines capacity we can fulfil, and then after at that time we adding our 2 new pinch machines. So then after, it is almost 7 machines, so almost 70,000 metric tons. We can assume almost 24,000-25,000 altogether, or 30,000. Install capacity is 32,000 out of 72,000 is a pinch bottom, and we can try first level 25,000 to 30,000 to achieve that pinch bottom back later on '28.

Hiten Shah: Okay, okay, sir. Thank you.

Alpesh Tulsibhai Patel: Yes, thank you, sir.

Moderator: Thank you. The next question is from the line of Aman Chawla from Ashv Holdings. Please go ahead.

Aman Chawla: Good afternoon, am I audible?

Alpesh Tulsibhai Patel: Yes, sir. Yes, Aman ji, please.

Aman Chawla: Yes, so my question was that, the major impact which, came on EBITDA margin was, majorly driven by gross, margin impact. So, I wanted to understand that we have a revenue bifurcation of 50% which is coming from contract revenues and approximately 50% from non-contract revenues.

And in the non-contract revenues, we are able to manage it through the inventory days which we hold, and the contracted revenues, we can adjust it based on the price of the bags. So, I wanted to understand why, did we have such a significant impact even after that in this quarter?

Alpesh Tulsibhai Patel: Yes, sir, I fully understand your question. So simple, sir. Our first of all, 50% contractual customers, definitely yes, but all the customers not given the order in the same time. So, it is as per their consumption they are buying, like as per their season. Like they are into the seed grain and pulses, they can -- now season will start, and the fertilizer already season is over. So that kind of cycle is over there. So, it is the 50%, almost 45% to 50% is contractual, but it is not at all order will come same time everyone. First thing.

Secondly, the ramp-up of the price, like price grown up like 25%-30% immediately effect. So, it is the -- we convince the customers and then they are convincing, they are not at all denying because everyone knows the global pricing go up. So, everyone have to bear the cost, that is the ultimate cost to the customer. But see what happened, the existing order is a quarter one order and delivering to the quarter two. So, my invoicing rate and our rate is only basis of the order time rate, not delivery time rate. So, once a quarter one order is running into the quarter two and supplying

Moderator: Sir, please go ahead. We are unable to hear you, sir. Hello? Hello, can you hear me now? Yes, please.

Alpesh Tulsibhai Patel: Hello.

Moderator: Yes, please.

Alpesh Tulsibhai Patel: Yes, okay. So, sir, a second, second one reason is the -- sir, I think so I repeat the first one because maybe voice is not clear or some disconnection. So, first reason is, our process time is, like one, one and half months. Our 50% customer is on contract basis, but they are not continue business, it is a season-wise business. So now, our first quarter order delivering to the second quarter. So maybe that our sales system is as per the order date, we can finalize the price, not delivery time.

So, our sales become into the second quarter, we can get the price from the second quarter, but at the time of the second quarter there is a price is like a 25% to 30% increment, global political issue and global crude price issue. So that impact on us. And, yes, you're right, you are absolutely right. This is a decrement of the 7% of our growth margin because of this, majorly this area.

Aman Chawla: Right. So again, basically, the 50% of the contracted revenues which we have, what is the timeline in which we are able to pass on costs to these customers? And again, to the other, non-contracted revenue customers, what is the timeline? Because we are holding enough inventory to manage the rise in raw material costs.

Alpesh Tulsibhai Patel: Yes, right. Non-contractual -- first I will cover with the contractual. So contractually there is a two system: monthly price revision and quarterly price revision. Like our biggest customer is the revision of the quarterly price. Like first quarter, whatever the rate is, that price comes into the second quarter order.

And second price, second quarter price, average price come into the third quarter. So, they are increasing like quarter to quarter. So, our major customer into quarter to quarter. And on the smaller customer, it is based on the monthly. Like this month they can give you the order, like, so they pricing based on the next last month quarter price, last month price, not quarter, last month price.

So, it is impacted on this month order price and it will be delivered after one and one and half months. So altogether you can see it is like almost three to three and half months for the one-month price contractual. And the quarterly, it is impact on four, four and half month's quarterly price impacted. So, this is our business scenario, or not even my company, when almost all the companies into the plastic, this kind of is, happens. Into the contractual business.

Now non-contractual business, it is based on the order-to-order only. Whenever they require the inquiry to us, we can get the inquiry, we can quote the pricing, and we can approve the pricing. And then at that time it will be the start the production, and it will be take the 1 month 1.5 months for the production, then it will be going to the delivery. So, this is both the scenario is for our pricing and impact on us.

Aman Chawla: Understood. So, my second question was that we are now adding significant capacity, so, what is the demand visibility for us? Where do we expect the demand to come from? And also, we are now focusing more on pinch-bottom, bags, but based on our DRHP figures and estimates, the market size of pinch bottom bags, is limited. So how are we going to manage the same?

Alpesh Tulsibhai Patel: Sir, first of all, I will explain about the demand. So, demand, we have 2 types of, vision. We are exporting more than 72 countries, so we increase the countries plus existing customers. Even, even, I will say the one example, dog food industry is now in India, it is increasing in double digit. So, dog food industries, we have a very good presence in all over world as well as the India. So that industry's growth, that is also our growth compared to our customers.

We have a Drools customers and many Pedigree is also we are supplying to them. So, this is a good customer we have. So that growth in 2 digits in India, so we are also growing. So same way there is the -- we have 27 different industries: rice, grain and pulses, fertilizer, cement, seeds, so many tire tubes, we have new application also we are developing.

So geographically we are also increasing our capacity and marketing strength as well as the industry's growth in the particular segment that is also impact on us. And third thing, most important, we are developing the new industries into our product. Those who are using the jute bag, is it migrate to the PP woven bag, WPL? And then after we shifted to them into the PLWPP, printed laminated woven bag, and the pinch bottom bag is the more -- the PLWPP bags, we directly target that customer.

Those who are utilized already POPP bags, they are converting into the PLWPP plus pinch bottom bag. So pinch bottom bag, there is the 80% -- those who are already into this, our second category product, they are moving into the third category. And our second category is our total revenue contribution, 71-72% is our total volume it is on PLWPP. So, we have a very large numbers of customers and they are migrating into that byproduct to the pinch bottom bag because there is a lot of advantage of this product.

So, they may convert into -- and our team is also converting that customer into the pinch bottom bag. So, the demand, we have a lot of area we have to hard work. Definitely, yes, it is not easy to say yes, we will get the -- but we will challenge step challenge. And this product PLWPP is on the 2004, our company is the first company who's developed this bag.

So, at that time scenario is more difficult than today because at that time the one bag cost is the INR10 and we're selling at INR14 or INR15 bag. But now very well accepted this scenario, 40%-50% bags increment. At that time customer will happy to give the more money.

Now this is much more better than that scenario. Because they are already using a INR20, INR22, INR24 bag, PLWPP, and their bag shifted into the INR28 INR30, INR32. So, percentage-wise, it's not much more impact on that area as well as -- and after the pinch bottom bag, the overall costing of that material versus packaging cost, it is less than 1% or 2%. So that's how we are also getting a good benefit of this product.

And one more I already many times mentioned 7 reasons customer will want to join us. They are not moving to the other supplier. That is the biggest strength of the product. So that's how we are thinking and that's how we are planning to expand our capacity. Sorry, I want to add one more thing. I Missed that Europe and USA already paper have a very much struggle. You can check online everywhere.

Paper right now, paper ever is pricing as well as the availability is very bad level. So, the paper block bottom bags or paper bags are now already converted into our product PLWPP bag. It is a paper to PLWPP. When paper ever pinch bottom bag a 30-year back product, paper pinch bottom bag is 30-year back old product. So, the paper are directly migrate from the paper pinch to our PLW pinch bottom bags. So this is also one more factor for our demand and pinch bottom bags, demand. Please, ma'am.

Aman Chawla: All right.

Alpesh Tulsibhai Patel: Yes, sir.

Moderator: Thank you very much. Mr. Chawla, may we request you to please rejoin the queue? We have participants waiting for the turn. Thank you. The next question is from the line of Hitesh from SBI. Please go ahead.

Hitesh: Yes, thank you for the opportunity and good afternoon, sir. Good afternoon, sir.

Alpesh Tulsibhai Patel: Good afternoon.

Hitesh: Sir, I have few questions. One, first is that, sorry I missed your opening remarks. What was the, Q2 volume, sir, overall?

Alpesh Tulsibhai Patel: So Q2 volumes, just I will let you know the Q1 volume 10,940. It is increased by 3%, 11,252 metric ton.

Hitesh: Okay. And Yoy how much growth have we reported?

Alpesh Tulsibhai Patel: 52.52%.

Hitesh: Yes, sir. Okay. Volume growth is 52%.

Ajay Kumar Dubey: In sales revenue growth 52.2% Y-o-Y. EBITA margin growth is 29.92%

Hitesh: Sir, volume Growth only. I am asking Volume Growth on a Y-o-Y basis.

Ajay Kumar Dubey: Y-o-Y volume growth is 13%

Hitesh: 13%. So, the major chunk of price hike which is driving the revenue growth this quarter, right?

Ajay Kumar Dubey: Right.

Hitesh: Okay. So sir, this -- the gross margin dip what we have witnessed, you said, like you're going to take a price hike and that is going to mitigate, the -- you know, the gross margin dip in the Q3 onwards. So, are we on track, that our gross margin, whatever we are reporting in the previous quarters, so will come to that level with this kind of price hike, or it will flow to the Q4 also? I mean, you have to take the further price hike and the gross margin will normalize in Q4.

Alpesh Tulsibhai Patel: Sir, Q3, you see, always Q3 and Q4 is the better for always in the company in the terms of the quantity as well as the margin as well. But there is the one chunk is like, we have a limitation of our quantity because we are almost 89% to 91% we are utilizing, and it is dependent on the market as well.

But yes, we are very much quite confident about our migration of the PLWPP bags to pinch bottom bag because we have a spare capacity. Yes, overall we don't have a capacity, but internal we can move into the PLWPP to PLW plus pinch bottom bag. So, that is we are expecting, and that is the biggest market is rice. And rice business season will start. Right now, already started. So, this month is also a good month, and next month onward it is a good season for the rice industries, and our majority sells domestically into the rice as well.

So, there is a good pinch-bottom-back consumption in the rice industry. So, we are very good expected, like the quarter one, like kind of thing, into the quarter three and quarter four as well.

Hitesh: Okay. So, the Q3 will see a significant recovery in the gross margin. Whatever we have lost in Q2, maybe we will recover in Q3, right? This is the -- right. Understand.

Alpesh Tulsibhai Patel: Definitely, we wish to better than that, but there is a single one person is depends on the market because the crude oil. And the global scenario is, you know, see what happened originally, the price -- like I will give you the polymer example, like INR92 before the war, then it will be the reach up to the INR135-INR140 after war. After that it is again, it is a reach up to the INR145-INR143, like then after it is reducing like a INR120-INR125, and it is a jump like INR160.

So, what happened, it is up-down, up-down, up-down. But still our companies have a very good relation with the customer. In this -- in our 30 years, we never seen like this. In this 30 years, this is the highest price of the polymer price. But still we are into the good phase, good stage, and definitely in the further quarter we have a very good expectation. But there is a 1%, I will tell you, it is depends on the market. But yes, 99% we cover this everything.

Hitesh: Okay. And sir, in your comment you mentioned like in in October you have received one good order of about INR150 crores from some international client.

Alpesh Tulsibhai Patel: Yes.

Hitesh: So, how much it is scalable, sir? It is a kind of a -- or this is a kind of a one-off order?

Alpesh Tulsibhai Patel: See, this is our existing customer, and in this scenario, it is based on the USA, you know very well. And in that time -- difficult time, that is tariff time, they continuously buying with us. In that time they extend our contract up to just 1 year, but then after they still realize, they search everywhere globally, and they can increase our contract into 3 years, next 3 years.

So, this is a INR150 crores every month order, every year order. It is a 1-year minimum, it is a minimum INR150 crores. And they are already adding their product, their countries, and everyone. We are serving only 8 to 9 countries and they are working almost more than 100 countries. So, we are on getting the good volume.

And these contracts covered, like, no, this is the INR150, this contract is bottom of the INR150 crores, and this is not 1 year, this is a 3-year contract. And also, they can add the more country and more variables -- into the varieties -- into our portfolio, product portfolio. And we are also on that because that companies also have more than this, they are using the paperback. And their paperback, also already they're trying to shift it to our portfolio. So, we have a very good expectation from them.

Hitesh: So, sir, what is your estimate…

Moderator: Sorry to interrupt you, Mr. Hitesh, may we request you to please rejoin the call?

Alpesh Tulsibhai Patel: Please, last question, no problem, ma'am. Please, I can fast answer this. Please, sir. Yes, quick. Yes,

Moderator: Sir, the participant already left the queue.

Alpesh Tulsibhai Patel: Oh, sorry. Please, what would be next?

Moderator: Ladies and gentlemen, to -- in order to ensure that the management is able to address questions from all participants, we would request you to please limit your question to two per participant. If you have a follow-up question, you may rejoin the queue.

The next question is from the line of Prakash Kapadia from Entrust. Please go ahead.

Prakash Kapadia: Yes. Thanks for the opportunity. Am I audible?

Alpesh Tulsibhai Patel: Yes..

Prakash Kapadia: Yes. Thank you. So, we've seen operating cash flow decrease in H1 from INR39 crores to INR22 crores. I see three items: a bit of inventory increase, which is understandable due to price increases, but receivables has increased, and there has been a huge tax impact. So, is this seasonal, one time due to war? Should this normalize? Or generally H1, you know, it bunches up and by, you know, H2 that normalizes?

As you said, you know, H2 is generally better for us. So, that was my first question. Secondly, you mentioned about, you know, the Mexico JV, you know, hitting us at a consolidated level. So, you know, when do we achieve breakeven? Because production has started and asset turns and margins would be similar in Mexico. And next year, what would be our capacity by next October? Those are my questions. Thank you.

Ajay Kumar Dubey: So, thank you, sir. So, in operating revenue, basically in cash flow, there is an increase of inventory due to continuous increasing of scale-up of the sale. So, almost INR26.9 crores we have increased in the operating cash flow. And for debtor side, that is -- also a continuous sale increasing up. Export sale is increasing almost significantly compared to previous quarters.

So, the receivable cycle of, this export is larger compared to domestic. So, INR55 crores investment is already in increase in the operating cash flow. So, these are majorly two factors which is compared to the last quarter or compared to the previous year of quarter two, operating cash flow is going to down.

Prakash Kapadia: And there was some tax element also, right? Income tax is also increased, that is also affecting. What was that?

Ajay Kumar Dubey: The reason being profitability, profitability is increasing, our tax rate is still 22%, which is a new regime, and including, surcharge and everything, effective tax rate is 25%. So, tax impact is similarly same, and there is some deferred tax is also included, reason being, the IPO expense around, we have already given the report, INR28 crores.

So, that has been eliminated from the security premium and that is also around the deferred tax consideration. So, altogether, that is the impact only deferred tax as well as current tax, both. So this is the net of impact which is showing in cash flow.

Prakash Kapadia: Understood. And on the Mexico JV's capacity?

Ajay Kumar Dubey: Alpesh bhai, please?

Alpesh Tulsibhai Patel: Yes. Sir, Mexico is the greenfield project, and this is the second quarter. So yes, definitely we are trying our level best to achieve as much as early possible. But, last quarter, it is significant, better than the quarter one. So, it is a little bit of a good sign from the quarter two. And quarter three, we are expecting like we are almost achieved the breakeven point.

See, in our provisional, quarter four is our targeted to achieve this win-win situation, but not as we committed. But yes, quarter three we are expecting to the good level of this achievement. And yes, for the margin perspective, there is only pinch bottom bag and the very less percentage of the PLWPP bag. So, pinch bottom bag, already we have a very good margin on that area as well. So, hope for best. And we are also expecting to quarter three is a better result from the Mexico.

Yes, installed capacity is like a 400 metric ton. Out of that, every month we have last quarter average selling almost like 80-ton nearby. And this quarter, we are expecting 100, 120 metric tons, and almost 120 metric tons is the nearby breakeven over this quantity. So, we are expecting next quarter will be the win-win situation.

Prakash Kapadia: Understood. Thank you. I'll come back if I have more questions. Thank you.

Alpesh Tulsibhai Patel: Yes, please, sir.

Prakash Kapadia: Thank you.

Alpesh Tulsibhai Patel: Thank you.

Moderator: Thank you. The next question is from the line of Sundeep Chhabra from Raushee Investments. Please go ahead.

Sundeep Chhabra: My questions have already been answered. Just one thing, now that I have the opportunity. All the margin that has been lost will be recovered, or only from third quarter there will be an improvement?

Alpesh Tulsibhai Patel: Sir, it is very difficult to achieve that all the losses in one quarter, but third quarter will be the win-win situation. And more than that, we are expecting little bit loss also covered. But it is a very small quantity.

We are producing like a 3,500 metric tons, 3,000 tons in India, and installed capacity is already 400 metric tons per month. So, we are expecting a good margin on it. But yes, first and second quarter from the greenfield project, it is impacting us. Reason behind, there is a long process, long machinery waiting, so that is impact on interest cost and all these things. But yes, third quarter definitely comes with the loss recovery of the very small portion, not much more as we expected.

Sundeep Chhabra: Okay. And on capacity, you said 5,040 -- sorry, you were saying something?

Alpesh Tulsibhai Patel: 400 metric tons installed capacity, out of that we are currently utilizing 80, 90 metric tons, 70, 80, 90 metric tons. And our breakeven, almost 120, 130 metric tons is our one breakeven. And the current month also we are almost achieving 120 metric tons sales from Mexico.

Sundeep Chhabra: Okay. No, I'm talking about the India part.

Alpesh Tulsibhai Patel: Yes.

Sundeep Chhabra: Between now and October 2027, any capacity will get added or everything will happen only in October now, 2027?

Alpesh Tulsibhai Patel: No, sir. Sir, two things. Sir, we just added one plant before 2 months back, and it is already into the ramp-up, that plant. It is a rented plant and it is come up with the new capacity in next 1 or 2 months. So, it will give a little bit cushion. And also, we are very much forcing our expansion level. Already we are in good phase of the expansion level. So, we are trying our level best to achieve that expansion and production capacity before October. But currently we are saying October is our deadline for the expansion capacity, October '27. But yes, in between we have a little bit space for that quantity.

Sandeep Chhabra: Okay, so, as we move forward, see, last year you had only three pinch-bottom machines. The remaining 2 came only in, let's say, end of March 2026. So logically, the margin in these years -- I mean, in fiscal '27 should be higher than the margin of '26…

Alpesh Tulsibhai Patel: Yes.

Sandeep Chhabra: Yes, because I'm talking about pinch bottom only. This year, because of this quarter, because of the sharp increase in your the raw material price, there was a problem. But if you can achieve complete pass-through, as you are saying that you have achieved complete pass-through in fiscal -- I'm sorry, in 3rd quarter then 3rd quarter margin should logically be much higher than the previous year 3rd quarter margin, because previous year only three machines were there pinch bottom. This year in this 3rd quarter you have five pinch bottom machines. Am I on the right track?

Alpesh Tulsibhai Patel: Sir, you are perfectly okay, and that is the best example. Like you can compare it to quarter 1, quarter 2 previous year to this year. Quarter 1 to quarter 1, it is almost 45% to 50% increment. This quarter is almost compared to that is like a 27%-28%already is there. And 3rd quarter is also like we are on the same way. Yes, cover last year, previous year quarter to this quarter, we are definitely in the good phase because of the pinch-bottom. And already we get the good advantages and it is reflected on our quarter 1 and quarter 2 compared to previous years.

Sandeep ChhabraL: Okay. Thank you so much.

Alpesh Tulsibhai Patel: It is already reflected, yes.

Sandeep Chhabra: All right, and all the best.

Alpesh Tulsibhai Patel: Thank you, sir. Thank you.

Moderator: Thank you. The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.

Abhijit Mitra: Yes, thanks for taking my question. So just to understand margins, a bit better. So, for example, if the raw material prices moves up by, INR10 from INR100 to INR110, right, you can try to pass that INR10 to your customer. That's the best that you can do. So, you increase your product prices by INR10.

Customer won't give you margins on that INR10, right? So, I mean, effectively a percentage margin will look lower as this kind of inflation takes shape. One should look at your percentage margins, or should we look at your absolute per ton EBITDA? Because that recovering that should be, easier task than trying to get margins on the increase in product prices.

Alpesh Tulsibhai Patel: Yes, Abhijit. Thank you very much. Sure. We first of all our always, we are getting this support from the customers. There is no doubt about last 30 years. But this year what happened, quarter 1 and quarter 2, it is a jump like a 30%. I already give you example once price is INR92, then INR125, INR143, then again INR120, and then it shoot up to 160. So, this first quarter to second quarter, INR120 to INR160, it is a jump like a 25%.

And definitely customer support, like INR120 to first year, this is like INR130, so we close the order. Then INR130 to INR145, again that is 120 deliveries on at that time, 145. The second order delivery is a INR120-INR130 price. It should be on the INR160 price range of at that time we deliver. So right now it is on peak, and the peak time also we get the good order and everything.

But yes, it will be the production time almost 1.5 months. So, from that it is, not reflected our conversion into the – our profit. But Yes, later on it will be the good things comes on this area.

Abhijit Mitra; Yes, I, mean, the reason I am asking is that I mean, as a company, and I'm sure your customers are also observing, your pricing, benchmarking it to whatever is the increase in raw-materialprices, you pass that on, and then the incremental delta you get through value addition. But to sort of expect percentage margins to come back to where they are means that you have to charge customers on the price increase as well. I mean, which is not logical, right? I mean…

Alpesh Tulsibhai Patel: Now, sir, on that I will very honestly tell you, many times I already explained that at the increased time we can try through the percentage and decreased time we can try to the per kg. But everyone knows this is a very difficult scenario for the crude price and everyone, but still our customers are very cooperative.

They definitely, we ask for the percentage amount of incremental, but definitely as per kg we will get yes, some areas maybe I want to increase like a 5%, but we can get the 3% or 4%, maybe possibility. Like we I can increment like a INR25 per kg, but they may be negotiating like a INR22, INR23, maybe possibility.

But it is a very less area and we are also controlled because this is a normal price. Like I will give you the petrol diesel example, because that is the price increment, that means increment. So, in this scenario, in this of industries, plastic business, everywhere price increment. That means increment, yes, that percentage how we can achieve it, it is depends on the customer and our relationship. But yes, you are absolutely right, it is not 100% we can get it, but we are trying our level best to average out with the good number.

Abhijit Mitra: Understood. And for you, I mean, what kind of -- I mean, can you go back to your Q1 absolute EBITDA per ton, say over the next 2 quarters is a bit the per kg, whatever…

Alpesh Tulsibhai Patel: It is a per kg is a INR55 and this month, this quarter is like a INR46, INR47 approximate. I am telling you.

Ajay Kumar Dubey: You, INR54 last.

Alpesh Tulsibhai Patel: INR54 and this is INR45.

Ajay Kumar Dubey: INR45.

Alpesh Tulsibhai Patel: Yes. INR54 and INR45, INR10 decrease.

Abhijit Mitra: So, INR54 can be achieved in the next 2 quarters, you feel? As in you can get back…

Alpesh Tulsibhai Patel: Almost I explain you pinch-bottom quantity increment and definitely we have a trial level. We want to more than that. That. But Yes, we are trying to nearby that. Definitely there is the only 1% depends on the market, but other than that we are very much comfortable because now season time is already started and it is already impact on our business as well. So, we have quite confidence on that area.

Abhijit Mitra: Got it. Thanks sir…

Alpesh Tulsibhai Patel: In terms of yearly whatever we propose yearly is almost we can achieve it. There is no doubt on the yearly achievement. Yes, this quarter is a significant little bit down, but yearly our target is, we are on the track compared to whatever the process already showing.

Abhijit Mitra: Thanks. I wish you all the best. That's all from me.

Alpesh Tulsibhai Patel: Thank you, sir.

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

Management: To conclude, H1 FY27 was a half of strong growth of Knack Packaging as a listed company. Even as industry-wide cost pressure weighed on our margin in Q2, during the half we stayed focused on the right thing adding value in our products, expanding capacity efficiently and maintaining operational excellence.

Our integrated capabilities and customer partnership continue to be key advantages. Looking ahead to Q3 and Q4, we expect volume growth to continue, supported by the ramp-up of contracted orders including the renewed international contract and higher wallet share from existing clients. We also expect margin to recover from Q3 FY27 onwards as pricing adjustments flow through. We will remain, cautious on the cost and capital deployment.

The new Gujarat plant remains a key milestone, and its timely completion and utilization will be primary focus through 2027. Finally, I extend my gratitude to our shareholders, customers, suppliers, bankers, and employees. Your support is what empowers us to achieve these goals. We look forward to updating you again next quarter. Thank you.

Moderator: Thank you, ladies and gentlemen. On behalf of Knack Packaging Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Abhijit Mitra: Thank you,

Alpesh Tulsibhai Patel: Thank you. Everybody. Thank you.