



July 29, 2025

Department of Corporate Services
BSE Limited
Phiroze Jeejeeboy Towers
Mumbai – 400001
Scrip Code - 509820

The Listing Department,
National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra Kurla Complex
Bandra (East),
Mumbai 400 051
Symbol – HUHTAMAKI

Sub: **Transcript of Earnings call for the 2nd quarter ended June 30, 2025.**

Dear Sir/Madam,

This is further to our letter dated July 25, 2025, 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 2nd quarter ended June 30, 2025.

Pursuant to the Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed the transcript of the said Earnings Call, for your information and records.

The same is also available on Company's website at <https://www.flexibles.huhtamaki.in/>

Kindly take the same on your records.

Thanking you,

For **Huhtamaki India Limited**

Abhijaat Sinha
Company Secretary & Legal Counsel

Encl.: As above

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“Huhtamaki India Limited
Q2 CY'25 Earnings Conference Call”
July 25, 2025



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

MODERATOR: MS. APARAJITA – ICICI SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Huhtamaki India Limited Q2 CY '25 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aparajita from ICICI Securities. Thank you, and over to you, ma'am.

Aparajita: Good afternoon, everyone. Thank you for joining on Huhtamaki India Limited Q2 CY '25 Results Conference Call. We have Huhtamaki India management on call represented by Mr. Dhananjay Salunkhe, Managing Director; Mr. Jagdish Agarwal, Executive Director and CFO.

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

Dhananjay Salunkhe: Yes. Thank you. Thank you very much, and good afternoon, everyone, for joining this call. So let me start with our safe harbor statement that today's discussions shall not be forward-looking for any future performances of Huhtamaki India Limited.

With this, if I have to take a look at quarter 2 performance of Huhtamaki India, the demand situation at the end of the consumer side remained mixed with urban demand not still fully recovered and rural demand typically driving whatever consumption what we saw in quarter 2.

Also, there were a few headwinds in terms of unseasonal rains, a big span of summer and arrival of monsoons a week earlier and then inflationary pressure. So overall, the demand situation remained slightly subdued and which clearly impacted on our performance in terms of top line, where net sales remained lower year-on-year as well as slightly lower than quarter-on-quarter.

However, with various cost control measures, our EBITDA had been higher than year-on-year and slightly lower than what was in quarter 1, profit before tax, as well as EPS are also higher year-on-year, while as compared to quarter 1, slightly lower. So overall, demand situation flat. Cost measures are clearly helping us to deliver the results what we have been able to do in quarter 2 '25.

With this opening, I would hand it over to Jagdish, our CFO, to take us through further details in terms of our performance.

Jagdish Agarwal: Thank you, Dhananjay. Good afternoon, everyone. As always, I'm pleased to host the Q2 2025 Investor Call alongside our Managing Director. We'll walk you through the company's financial performance for the quarter and the six-month period ending June 2025, and share key insights on our progress over the first half of the year. Turning to the financial results for Q2 and H1 2025: Volume for the quarter remained flat compared to Q1 2025 (March quarter), although it showed a decline on a year-on-year (YoY) basis. A similar pattern was observed for H1 2025,

where volumes were slightly lower than the corresponding period of the previous year. Revenue for Q2 2025 stood at ₹5.9 billion, compared to ₹6.2 billion in Q2 2024—reflecting a 4.7% YoY decrease. On a sequential basis, however, revenue remained nearly flat vis-à-vis Q1 2025. For the six-month period ended June 2025, total revenue amounted to ₹11.8 billion versus ₹12.1 billion in H1 2024—indicating a modest decline of 2.4%. EBITDA for the quarter came in at ₹493 million, marking a strong YoY growth of 28.7% from ₹383 million in Q2 2024. Compared to Q1 2025's EBITDA of ₹498 million, the figure was marginally lower by 1%. For H1 2025, EBITDA reached ₹990 million, an improvement of 13% over ₹877 million in H1 2024—signalling healthy business performance and operating leverage. EBIT for the quarter stood at ₹362 million, registering a strong YoY growth of 37.4% compared to ₹263 million in Q2 2024. On a sequential basis, it showed a marginal decline of 2.4% from ₹371 million recorded in Q1 2025—mirroring the trend observed in EBITDA. For H1 2025, EBIT came in at ₹733 million versus ₹662 million in H1 2024, reflecting a solid improvement of 10.7%. Over the past three quarters, we've successfully maintained a range-bound topline despite facing volume pressures. This resilience extends to our bottom line as well, where performance has been notably strong through 2025—barring Q1 2024. These outcomes point to a strengthening business quality and demonstrate that our strategic market initiatives are beginning to yield encouraging results. From a broader industry perspective, market signals have been mixed. In Q1 2025, we observed smaller players gaining traction and driving growth in the Food and HPC categories, outpacing larger FMCG companies. The muted performance of these large players compared to overall market growth has had a cascading impact on us as well. Finance cost declined by 39% year-on-year, primarily due to partial retirement of ECB in September last year. Surplus cash continues to be prudently deployed in bank deposits and mutual funds, delivering an average yield exceeding 6.8% during 2025. Profit Before Tax (PBT) for the quarter, excluding exceptional items, stood at ₹331 million—marking a robust 55% growth over Q2 2024. Sequentially, it reflects a slight dip of 2.7% from ₹341 million in Q1 2025. For the half-year ended June 2025, PBT (before exceptional items) reached ₹672 million, showing a healthy improvement of 19% over ₹564 million in H1 2024. Net profit for the quarter, after accounting for exceptional income and taxes, stood at ₹249 million—compared to ₹385 million in Q2 2024 and ₹262 million in Q1 2025. It is worth noting that Q2 2024 included exceptional income (net of tax) of ₹227 million, primarily arising from the recognition of sale of the remaining two land parcels in Thane. Earnings Per Share (EPS) for the quarter, after accounting for exceptional items, stood at ₹3.30. For H1 2025, net profit (post exceptional income and taxes) was ₹511 million, compared to ₹646 million in H1 2024. Consequently, EPS for the half-year stood at ₹6.76. Turning to the company's debt and liquidity position, the Debt-to-Equity ratio remains well within comfortable levels, with the External Commercial Borrowing (ECB) of ₹1 billion representing the sole debt on the books. Liquidity continues to be strong, supported by sizeable, unutilized credit lines that remain fully available. While the overall working capital situation is stable, the position as of June 2025 was less favourable compared to March 2025 and June 2024. This was primarily driven by an increase in inventory and receivables during the quarter. In conclusion, Huhtamaki India Limited remains steadfast in its commitment to driving operational efficiencies that enhance performance across the board. Our World Class Operations (WCO) Program is a key enabler in this journey, supporting continuous improvement and excellence. We continue to uphold the highest standards of corporate governance, stay focused on technology-driven innovation, and pursue value realization through sustained customer engagement. Our

investments in future-ready and sustainable packaging solutions are aimed at positioning Huhtamaki India as the partner of choice in this evolving landscape. We firmly believe these efforts will strengthen our competitive edge over the long term and support our goal of delivering responsible and profitable growth. Thank you for your continued trust, support, and investment in Huhtamaki India Limited. Thank you for your continued trust, support and investment in Huhtamaki India Limited. Thank you. And with that, I hand over to Rajitha for question-and-answer session.

Dhananjay Salunkhe:

Maybe Jagdish, you shared about the operational excellence, and how do we look at sustainability as one of our key strategy to really connect with the customers and the overall ecosystem. So I think let me also connect with a bit on 3, 4 areas on how Huhtamaki continue to focus on safety and CSR.

So as you would have seen in our annual report of 2024-'25 as well as first half of this year, our safety record has been significantly improved over last 2 to 3 years, and our team continues to focus on safety in even first half of the year, where total incident rates have been significantly reduced.

Also, the fire ignition points as well have been significantly reduced. There is a good focus on training in terms of safety, not only to our employees, but the contractors and nearby communities. Same thing goes for the CSR work.

In 2025, we are expected to sign the SBTi targets, which will be aligned with 2023 goals for a Scope 1 and Scope 2 reduction. We are also having various projects on electrical and electricity power reduction, water conservation and overall wastage reduction, which will ultimately help reducing the waste overall and protect Mother Earth.

I think -- thanks, Jagdish, for elaborately discussing the quarter 2 performance. And then we can now take questions.

Moderator:

The first question comes from the line of Dhruv Himani from Nivedha Investments.

Dhruv Himani:

Sir, I would like to know what was the blueloop contribution in the revenue of the current quarter?

Dhananjay Salunkhe:

So blueloop -- yes, you can take it.

Jagdish Agarwal:

So -- I mean it continues into the similar range what we had in the first quarter. So we are trending somewhere between 27% to 30%.

Dhruv Himani:

Okay. So what was the cost measures or the reason for increase in the EBITDA margin in this quarter?

Jagdish Agarwal:

I mean we definitely, like even the last few business call, we are indicating we are working on the operational efficiencies that definitely is helping us, that's the one thing. And second is that we are working to improve the mix. So both factors are helping like internal and external focus, both factors are helping us to improve the bottom line.

- Dhruv Himani:** Okay. And sir, I had a last question that would this be possible in coming next 2 years to reach the margin of the parent company, Huhtamaki Oyj like they do a margin of around 14%, 15%?
- Jagdish Agarwal:** You know that as a policy, we don't talk about a forward-looking indications or anything but definitely -- that we would like to improve performance. And that is going to be the key priority for us.
- Dhruv Himani:** Okay. And sir, I had a request that we are actually a Cat III fund and so we generally visit the facility of the company. So is it possible to do a facility visit?
- Jagdish Agarwal:** I think we generally don't get into an individual or this kind of arrangement at all, and that is a reason the investors call is that we would like to address. But facility management at this point of time, we are really not thinking on that side to arrange the facility management or arranging investors calls like that on those sites.
- Moderator:** Your next question comes from the line of Rajakumar Vaidyanathan from RK Investments.
- Rajakumar Vaidyanathan:** Yes. Sir, a few questions. So first on the margin performance, I understand that the top line is kind of anemic in terms of the growth. So can you assume that this margin will be kind of maintained or it will only improve from now on?
- Jagdish Agarwal:** Even in the -- Mr. Raja, if you have into the previous questions also, we have reinforced the one message is that we are working on a lot many things. And one of the program we spoke in past that we are working on efficiency improvement, world-class operations is driving a lot of efficiency improvement and all. So we are looking at each and every cost and we are looking at all the possible opportunities. So we are working on that.
- At the same time, we are looking to the quality of business, so we are focusing on both. Now when it comes to comment on future, it's very difficult because we generally don't know, but at least we can talk about that our focus and our priorities are to improve the business quality.
- Rajakumar Vaidyanathan:** Yes. Yes, I understand that. Sir, I'm not asking for any guidance, sir. My only question is the worst of the margin is kind of in the back bench because I think the last 2 quarters, you have kind of maintained good margins. So it's only the question of growth, which is kind of dependent on the FMCG and other players in the industry. So given that I'm asking whether the margins will improve from now on, without giving any particular guide?
- Jagdish Agarwal:** So it depends on many factors. That's the reason, it's very difficult to give very clear answer there. It depends on -- we don't know how the commodity prices are going to move in future -- price, yes raw material price, there are a lot of geopolitical issues are going on. There are different tariff restrictions are going on.
- So it's not prudent from our side giving an indication also which direction it will go, but at least we can talk about as a management what are the priorities we are working on. And our priorities are that to continue to improve and evolve, and that is where we are working.

Rajakumar Vaidyanathan: Okay. Got it, sir. And sir, in the recent AGM of Glaxo pharma, they mentioned that they are moving from aluminum tubes to laminated tube completely. So will that be a tailwind for us? Are you getting any kind of feel like that from the customers that you are working with?

Jagdish Agarwal: If a market expands, it definitely is going to help all of us who are part of flexible industry. And that's what we believe...

Dhananjay Salunkhe: The question is on the tube laminate. So essentially, look, we do not discuss any particular customer name -- so that we will avoid. But at the same time, the main point, what you asked was, basically, there is a trend. Yes, there is a trend of moving from aluminum based tube laminate to PBL typically, we call, plastic based. There is a trend and definitely, that helps the industry players like us.

Rajakumar Vaidyanathan: Okay. Sir, is that a tailwind that will show up in the short to medium term or it's more a long-term opportunity?

Dhananjay Salunkhe: I would say -- look, again, as Jagdish indicated, we normally do not give this time base or exact one. But we have a risk portfolio of tube laminate in our product portfolio. And clearly, that is our one of the focus area and eventually, it shall add up.

Rajakumar Vaidyanathan: Yes. Sir, in one of your previous calls, you mentioned that some of the MNC companies operating in India they are not following what we are following in other geographies in terms of sustainable packing solutions. So any update on that? Do you see more compliance coming now? If you can just give any color on that?

Dhananjay Salunkhe: So I do not remember vividly that we said they are not following. The point is possibly there is an early adaptation of certain sustainable packaging trends in certain other countries because of the evolution of a regulatory landscape in those territories. So essentially, all our customers are following the regulations which are basically applicable to them in their respective countries, which they play.

So that is the observation. So overall, if you see in India, when it comes to the regulatory -- around recyclable or sustainable packaging, yet it's not yet mandated. So because it is not mandated, most of the -- even FMCG players whether India or global multinationals are basically aligning their commitment according to the regulations, so that's the comment we will have on this.

Rajakumar Vaidyanathan: Okay. Okay. And lastly, sir, on this PLA packaging, the polylactic acid, so any serious competition you foresee from that?

Dhananjay Salunkhe: I think this was also discussed in the last call. So PLA-based films will be also form one of the input material for us as it is, let's say, recyclable film, which we produce now which is we call blueloop film or MDO film, high barrier films, PET, PP and so on. And so for us, all these developments acts as a vehicle to further our journey towards the sustainable packaging.

Rajakumar Vaidyanathan: And sir, any target growth in...

Moderator: Sorry to interrupt, Rajakumar sir. May you follow up for the remaining questions as there are several participants waiting.

Rajakumar Vaidyanathan: Thank you.

Moderator: The next question comes from the line of Rohan from Golden Money Investments.

Rohan: Yes, sir, I wanted to just confirm that in coming 5 or 6 years, 7 years, Huhtamaki is primarily focusing on flexible packing, sir?

Dhananjay Salunkhe: Yes. Clearly, yes.

Moderator: The next question comes from the line of Sukhbir Singh from SMIFS Institutional Equities.

Sukhbir Singh: Sir, my first question is on like pricing of BOPP. Like India is facing shortage. So sir, how is the pricing going on for BOPP?

Dhananjay Salunkhe: Okay. I mean, this is a very targeted question. But we are seeing definitely some increase in BOPP prices in first half of the year as compared to the previous half of the year, previous means even H1 2024 or H2 2024. So there is a comparatively increase in, I would say, in double digit.

Sukhbir Singh: Double digit, okay, sir. And sir, my second question, like on tube laminates. So what -- can you please give some light like what will be the percentage share in our product portfolio? Is it low-single digit or high-single digit, double-digit, how much it is? Slight color on it?

Dhananjay Salunkhe: So possibly somewhere around high-single digit.

Sukhbir Singh: High-single digits. Okay, sir. Sir, my third question is on the export of our product portfolio. So like -- can we -- how much -- is there any increase in the export in export share of revenue? How is the trend in it?

Dhananjay Salunkhe: So I think the percent -- typically, we have around what 30%, 32%, 1/3 comes from exports. And I think that remain range bound.

Sukhbir Singh: Okay, sir. Sir, my next question is on the debt repayment. Like on CY '27, we're planning for the gross debt repayment. So is that maintained or like we have changed the schedule for it?

Jagdish Agarwal: We have maintained that. So it's due in 2027.

Sukhbir Singh: 2027. Okay, sir. And sir, like on the low cost reduction -- on the low-cost plants reducing the cost structure. So for electricity and power, like are we -- what are the measures for it? Are we looking for installation of new solar plants or like how we will target that?

Jagdish Agarwal: We are exploring all possible options available to us, including energy intensity to sustainable power that will help us on a carbon emission as well as that help on our productivity. So we are exploring all possible options.

Moderator: The next question comes from the line of Mehul from RWE.

Mehul: I have just two questions. One is just relating to any capex plans and what is the current utilization? Because I assume like we had done some capex more for converting some of the lines for blueloop. But essentially, with the current assets, how much more revenue can we generate and if there are any plans for capex?

And the second question is in terms of this blueloop, I understand that there are other players also who have or can possibly introduce a mono polymer packaging film. So is that any potential competition for us? Or do we still have an edge over others in this segment?

Dhananjay Salunkhe: So this is, again, I think 2 questions in one. So first of all, we have invested definitely in the innovation in terms of our blueloop. And our current focus is to clearly utilize those assets for the purpose, which is intended, and there is a good traction. And then we are carefully evaluating.

And I think there is a clarity in terms of how Huhtamaki Oyj looks at the investments now with certain changes happening at the center that one of the important focus area is capital allocation and capex requirements as well as plans are getting discussed internally for wherever there is a better opportunity in terms of ROIs or ROCs that will be taken up. And at this moment, there are certain capacities done already in the last couple of years, and the focus is to basically use them for a betterment.

Mehul: Okay. And the second question was regarding that monopolymer films by competitors.

Dhananjay Salunkhe: Yes, that's good -- Again, a good question. So possibly, I have to go back to maybe a 3 or 4 conference call ago, we explained it in very detail that what we are offering is, actually like a 4-pronged approach to the sustainable packaging solutions. And those are not only in terms of Mono-P, but it is also polyolefin based, PP base, paper base.

And we call it power of 3. So they are functional, they are affordable, and they're basically more simpler. So all the power of 3 in 1 and then multiple offers, which -- with a very high demanding structures, high barrier structure. So we have a multiple value propositions to be given to our esteemed customers.

So I think we have definitely, first of all, from a timing perspective, as Huhtamaki overall at a segment -- flexible segment, we have invested in 5 locations. That means we have geographically possible to service our customers anywhere in the world they want.

And second, in terms of the stability and equipment availability and available capacity, we are clearly ahead of anyone so. And that is what we want to really capitalize on.

Mehul: Okay, sir. And just sir, the last, on the kind of continuation of that, that since we have this particular capability here and partly linked to the exports question that since the adoption of these kind of products is much higher in some of the more developed markets compared to India. Is there like a likelihood of a growing trend of sourcing from India for blueloop?

Dhananjay Salunkhe: This is a good point. And that's the reason why we are having this as a global approach for blueloop. So structures we are developing, which are more standard in nature, more based on functionalities. And there are opportunities. And because, as I said, we have also 30%, 32% of

our share coming in from export. So wherever we are serving current, there are definitely opportunity emerging.

Also, certain areas, in fact, we are taking help from certain other investments. Like for example, as I said, we have a paper-based products which are seen valuable in the customers in India. And we have a wet chemistry investments done in outside of India, let's say, particularly in Southeast Asia and in Europe, and we are actually sourcing the input from them.

So actually, it's not only exporting from us but it's also we are utilizing our other Huhtamaki sites or regions to actually get help where we don't have capabilities. So that's the good benefit what we are getting as a whole Huhtamaki presence as a global company.

Mehul: Great, sir. And also sir there was just one small question earlier was that with the current capacity that we have, any approximate range of revenue -- even a very ballpark revenue that we can achieve another 20%, 30%, 40% from here without further capex, even a rough estimate will be fine, sir.

Dhananjay Salunkhe: These are, again, numbers. Typically, look, I think we have been pretty open about it. Capacity utilizations, etcetera, are really very numbers which are -- can give a misleading picture. So what I can only say that there are opportunities. Because see, that's a good proposition with Huhtamaki India. We have a multiple geographical locations. We have a very good, stable supply chain and then global reach.

So with all these 3 -- using these 3 critical strengths what we have, so we have a capability to actually service the requirements of our customers and with productivity improvements, with flexible opportunities to have a flexible outsourcing make versus buy we're typically are in good position to actually manage the upsides -- demand upsides, which comes in -- particular in the right opportunities.

Moderator: The next question comes from the line of Ashok from Ayush Capital. As there is no response from the participant, we will move towards the next question.

The next question comes from the line of Lakshmi Narayanan from Tunga Investments.

Lakshmi Narayanan: If I look at a slightly longer-term from 2019 to 2024, our domestic revenues actually declined. Whereas, when you look at our -- some of our clients like Hindustan Unilever, their packaging costs or expenses actually went up, right? So which is kind of underwhelming for a company of our stature.

Now what is -- I mean what -- I mean how do you attribute this particular thing when it actually has declined? Is it an internal issue or an external issue?

Dhananjay Salunkhe: Well, it's a good question. So when we talk about overall value chain, and the companies which operate in the market where the rate of commoditization is particularly high, innovation takes time. And then the -- typically, we innovate in terms of the structures, in terms of the aesthetics and all.

And then it's very difficult to get these IP rights and all. So we operate in a spectrum where we are the, I would say, we are the innovation leader, but at the same time, the rate of commoditization is very high. So that's where the -- I would say challenge, which is external.

Like we go back, I think you covered the period of 2019 to '24, whereas I would go back maybe another 10 years before, where access to the technology within India was limited. And so that where Huhtamaki was pioneer or I would say earlier erstwhile 2 companies, which actually merged as one. We were pioneered and then now with the access of technology and then low entry barriers, market has been fragmented, flexible packaging market has been fragmented.

And that has an impact on -- definitely on us. So that's definitely an external challenge where generally, FMCG companies have grown in the volumes. Their focus is more on meeting the price points, smaller SKUs. And so that has actually increase the complexity for our players like us. And as I said, one side, we use this as a strength that we have a vast geographical presence, we service multiple type of customers from multiple locations, multiple products.

So that's the strength. But sometimes at the same time, it acts also as a weakness because then it becomes a very complex company. And that is where possibly we are looking at now that we want to become more agile in order to service our customers even better.

And that is why if you see in 2023, we took measures in terms of certain plants we closed in '23 so that we can repurpose our resources, focus on the categories that are having larger opportunities for us, the player like us where we are really strong in certain high barrier structures.

And that is what the strategic position we have taken and that's why it has impacted, from an internal point of view, that is, I would say, strategic positioning that we want to focus on high-value business or product mix that is where our continuous focus is. So we may have lost certain volumes at the low end, but the future focus is basically to play in the areas where we have a higher possibility and opportunity to win.

Lakshmi Narayanan:

I think as a follow-up, I just want to understand in this period, what is the -- how do you define your products as value-added and what is commodity and how that mix has actually changed? And where do you think this mix would actually would settle?

And second, I also see that sort of your customers are going for a reverse auction kind of a thing where we are extremely easy about the cost and they actually make it very deflationary in terms of your revenue pool that is available.

So these 2 questions in terms of, I mean, how is this particular value-added plus commodity mix is changing over time? What is the scene is right now for us? And then what percentage of our revenue is coming from reverse auction? And how have you -- have you come out of this thing reverse auction or that's the norm of the day that things are actually deflationary in nature for you, both in terms of volume as well as prices?

Dhananjay Salunkhe:

Yes. So you are right. I mean -- and thanks for picking out this. I think I missed out on that. I mean -- and good that you added that. One, I said from a market point of view, rate of

commoditization increased and which has been actually accentuated because of the adoption of a reverse auction by our overall ecosystem. So it actually limits our play, whereas it has been used by our esteemed customers for the value discovery. And I would say it is going to remain there.

And that's where companies like us need to focus more on innovation, focus on creating more and more value propositions, which actually resonates with our customers, they value that. And I think a few pointers from that, what are the value additions we consider, like recyclable products.

The ecosystem, which gives them the benefit not only on the high-barrier properties so that they can increase their shelf life, but also how that product is end consumed. When the product is end consumed, how it is getting collected and circled back as a recyclable?

Then the reduction of their own plastic consumptions, then cocreating certain innovations along with our customers, working with them to help them also to look at the global pictures and create products along with us, which can actually help them. So that's the overall value chain or creation what we continue to work with our customers.

Lakshmi Narayanan: Mix sir, the value-added and reverse option in your overall revenue point?

Dhananjay Salunkhe: We don't really yet not done that way because reverse auctions are -- I just can't put that number, but it's becoming more and more prominent, I would say.

Lakshmi Narayanan: So on the domestic, if I may just ask what is that which you actually give to traditional players like the Unilevers and Dabur? And then what is the mix you actually give to new-age companies? Because I think product innovation and that's actually valued more in new-age companies like B2C. So any mix on that traditional FMCG versus the new-age companies for you in domestic? And how it has changed over the last 2 years because that's where I think your margins catch-ups can actually happen.

Dhananjay Salunkhe: So look, you -- again, are touching a very important point, like the large FMCG players and digital only or D2C. So I would say the packaging requirements typically remain same in the sense because product -- end products are almost the same. So what is the difference is basically the response times and the reactive responsiveness from the point of view of both players.

And I think now it is also converging because even large FMCG players are also clearly focusing on the digital platforms and direct to the consumers and so on. So at this moment, we don't really differentiate from the that, okay, this is FMCG, and this is D2C or so because for us, it's at end of the day structure.

Moderator: The next question comes from the line of Rohan from Golden Money Investments.

Rohan: Yes, sir. Sir, is there any big capex for the coming 5 to 7 years? And sir, second question is, as you know, the adoption for our product is basically comparably very small as of today. So you think it's going to increase and when it's going to increase?

Jagdish Agarwal: So when you talk about capex for the next 5 to 7 years, it's very, very difficult for anyone to intimate what is going to happen tomorrow. So we can't put a number, Rohan very honestly on that, what will happen in the next 5 to 7 years on capex front or technology will go and what will be our focus area.

What was your second question, Rohan?

Rohan: Yes, sir. Second was about the adoption of our product, basically, the single-layer plastic one. Actually, as you see today, the response on the customer is basically in a slower phase. So do you think about increasing it in coming years? And if you can tell any number basically after 2 years, 3 years so then its good.

Jagdish Agarwal: Ideally, it should improve in times to come, the reason is that government is also focusing on to come out with a lot of mandate and rules and regulations, focusing towards more sustainable solutions. And I'm sure recyclable material are going to get traction from that in time to come.

Moderator: The next question comes from the line of Rajakumar Vaidyanathan from RK Investments. As there is no response from this participant, we will move towards the next question.

The next question comes from the line of Ashok B Jain from Ayush Capital.

Ashok B. Jain: First of all, sir, congrats on giving a very good profit, that is almost 200 basis point more than last year Y-o-Y, a big congrats sir. Sir, my question is on inventory provision. Our company has made a provision of INR9.39 crores for inventory provision as shown in the cash flow statement. Sir, I want to understand why this was necessary?

Jagdish Agarwal: Inventory provision?

Ashok B. Jain: Yes. In the cash flow statement, we have stated INR9.39 crores, that is INR9 crores and INR39 lakh is shown as inventory provision for this H1 cash flow statement. Because if we add this to profit, our profit grows by another 150 basis point for Q2.

Jagdish Agarwal: One moment, let me just have a look on that.

Ashok B. Jain: Yes, please have a look and...

Jagdish Agarwal: Yes, you're referring the cash flow, right?

Ashok B. Jain: Yes, cash flow, yes.

Jagdish Agarwal: Yes. So inventory provision is normally, it's very much driven through policy what we have, and it depends on the ageing and all. It doesn't mean that the provisions what we normally do is going to have an impact and it's normal part and parcel of this. So it's not something out of the extraordinary.

Ashok B. Jain: But actually, this money is deducted from net profit, I suppose.

- Jagdish Agarwal:** Provisioning will have an impact on the profitability whenever you do and reversal when not required.
- Ashok B. Jain:** Yes. But why it was necessary that if something has become so obsolesce that it was required to be written off or can we recover this money in the future?
- Jagdish Agarwal:** No, so again, a lot of provisions which happen, which are like ageing-based formula we apply on that. It depends on RM inventory, it depends net inventory, they are different hedging bucket as per policy. And as per those policies, we have to create provisions. It depends when we are going to dispose of this material, what kind of a material we're going to get it, what kind of recovery we're going to have it as a reversal.
- So those depends on when we do the transactions for this inventory. But yes, these are accounting provisions.
- Ashok B. Jain:** Okay. And sir, any idea that whether this provision -- whole of provision was done for Q2 or it was for a whole of Q1 -- H1?
- Jagdish Agarwal:** No, it's H1. This is a six-month provisions reversal, which you are looking into.
- Ashok B. Jain:** These are 6 months. And any more provisions are required as of now?
- Jagdish Agarwal:** No. Again, it's a very subjective thing. So whenever you have inventory valuation at end of the quarter and you feel that there is a need, we do that. So we don't know at this point of time what kind of inventory we are going to have at end of September, will we have provision or there will be a need to reverse the provision also. So we do evaluation for inventory end of every quarter.
- Dhananjay Salunkhe:** So see bottom point is we are always consistent with our policies, and we don't do any exception, which is actually also audited results.
- Ashok B. Jain:** Okay. And sir, at this point of time, this is for H1 regarding this inventory also, we have one of the highest level of inventory that is for INR310 crores. Any particular reason because of business is expanding or the prices might go up, sir?
- Jagdish Agarwal:** No. I think it's a mix of many things. You are right that inventory levels have gone up drastically end of June. And partially it answers your questions also that inventory levels are going up that some inventories are old that require provisions so that you see in that and if it is consumed you reverse it.
- Certain raw materials have a higher lead time and sometimes it makes sense that you hold some inventory. So any business comes in future, you can address that. When you talk about certain raw material, especially when we talk about foil, which we have to import from different countries and then there was antidumping duty on import from China and all.
- When you import paper from Europe, the lead times have increased. So it depends time to time that what kind of inventory you're holding, what kind of order book you have. And sometimes it go up, sometimes it come down. But definitely, yes, end of June, it looks high, and we are working to put a right focus on that. So by end of this year, we can have a decent inventory level.

- Moderator:** The next question comes from the line of Lakshmi Narayanan from Tunga Investments.
- Lakshmi Narayanan:** Two questions. One is that how seasonal power revenues and margins are? Is there like a second half is better than the first half or -- the reason I'm asking the last 2 quarters have been fairly strong in terms of gross margins and EBITDA. Is there any seasonality attached to it?
- Dhananjay Salunkhe:** I would say, generally, there are some upsides and down. So it's more or less something goes up, something goes like -- for example, in first half, let's say, in the quarter 2 typically summers, so beverages would be kind of slightly up, so is the hair care.
- In second half, hair care probably goes down, ice creams goes down, but then we could see some upside on food sites or a seed segment and so on because it starts kind of monsoon-related activities.
- Third quarter -- fourth quarter, we could see some festival-related demand upside. First quarter, typically some -- so we have a good mix of the business coming from various product categories and related industries. So I would say we are having equal opportunities in all the quarters.
- Lakshmi Narayanan:** Is there like -- I mean, have things got stabilized in terms of margins for us?
- Dhananjay Salunkhe:** Can you repeat?
- Lakshmi Narayanan:** Have things got stabilized for us from a margin point because if you look at the last 30 quarters, there has been a lot of fluctuations in margins in gross margin, EBITDA level and so on. Can we assume that things have got a little more business stabilized, looking at the performance for the last 2 quarters?
- Jagdish Agarwal:** In a way, yes, but again, no subjectivity is there. It depends on the commodity prices. So if the moment we are going to in high-inflation situation, that probably has some lag impact on the profitability.
- Dhananjay Salunkhe:** So maybe let me add probably to the Jagdish answer. Look, we are in a new world, which is called BANI, right, binary, anxious, nonlinear and incomprehensible. So you know what today makes sense, not sure it will make sense a few weeks or few -- 1 quarter later. So I think what current focus is basically what are we doing good doubled down on that and continue doing.
- Lakshmi Narayanan:** So the second question is that in terms of our exports, while domestic in the last 5 years have actually come down, your exports have actually been fairly secure. Now what do you think about exports? Is it something that is decided outside your purview? There is a global decide, therefore, the exports can actually go up or down? Or is it in your control?
- Jagdish Agarwal:** No. It's very much in our control. It's not that someone else is deciding. It is very much -- we do manage the relationship we do work. Yes, definitely, being a part of global company, we take a lot of support from them on the relationship front, on other aspects, but yes, it is very much within our control.

- Lakshmi Narayanan:** Sir, and last year, if I look at it, the software and expense reinvestment charges jumped from around INR17.5 crores to around INR36 crores. Now is it a one-off? Or do you think this will actually remain at like INR36.5 crores, INR37 crore level?
- Jagdish Agarwal:** I think when we talk about first half of this year, it is going to remain in that. It is not going to - it's not kind of a onetime spend.
- Lakshmi Narayanan:** It will remain fairly stable?
- Jagdish Agarwal:** Yes.
- Lakshmi Narayanan:** Sir, as we are leaders and we are pioneers in packaging, right? And you talked about this volatility, et cetera. Now sir, what is our plan of action? Do we -- as leaders, we should have some way to iron out these volatilities either by hedging or tuning our products or having focus or multiple things, right? So when do you think as the organization, you will actually be there to ensure that you are not the price taker, sir?
- Moderator:** Maybe we move towards the next question, as there are several...
- Lakshmi Narayanan:** I just wanted to finish this question. So I just want to understand your point of view on that, sir, how do you intend to...
- Jagdish Agarwal:** Maybe we can have a quick answer for that. Volatility is going to be there. And I don't think that we can address all, but yes, to the extent possible in the areas, specifically when we talk about FX and all, we do take care through hedging and all. But when you talk about commodity, it's very difficult.
- So as a policy, we don't get into that arena. We have to deal with that as when it comes. And I think so far, our expense is not so tough on that. And going forward also, we are going to just focus on more when we talk about hedging and all FX side but commodity, we're planning better, but we are not really thinking on addressing all volatility by way of hedging.
- Moderator:** The next question comes from the line of Rajakumar Vaidyanathan from RK Investments.
- Rajakumar Vaidyanathan:** Yes. Sir, my question was on the BOPP film price increases. So is it a tailwind or a headwind for us?
- Dhananjay Salunkhe:** So price increases is a headwind, right? Because you know...
- Rajakumar Vaidyanathan:** Yes, because we don't -- okay. So I believe there is a big shortage in the market. And -- so are we importing it now or are we sourcing it locally?
- Dhananjay Salunkhe:** Locally.
- Jagdish Agarwal:** BOPP, locally.
- Rajakumar Vaidyanathan:** Okay. And sir, the second question is on the pet food segment, if you can give any color where do you see any upside where the contribution -- what is the contribution...

Dhananjay Salunkhe: So pet food is really one of the very good upcoming growth opportunities for the companies which are actually in that field. And we are seeing that this industry, as you actually pet care or pet food industry is growing very well. And as a Huhtamaki globally, we are one of the leaders in this area, pet food products because they have a very high and demanding barrier structural properties.

And so here also, we are using that expertise to engage with our customers. And we are seeing traction. While the volumes and the industry is still evolving, but there is definitely a good opportunity clearly.

Rajakumar Vaidyanathan: Okay. And what is the contribution we have for this segment? Is it a significant number?

Dhananjay Salunkhe: Right now for India, it's small, but growing.

Rajakumar Vaidyanathan: Okay. And lastly, one housekeeping question, sir, on the cash flow, I think somebody asked this question. So I see that number is in the negative. So it's more an inventory gain we booked in the first half, is that the correct assessment?

Jagdish Agarwal: Yes.

Rajakumar Vaidyanathan: So it's an inventory gain of almost INR10 crores that we booked in first. Okay.

Jagdish Agarwal: I think -- there are different multiple impacts so that they are write-off also at the same time. So what we are looking is the one. But go ahead with your question.

Rajakumar Vaidyanathan: Yes. So net-net it's a INR10 crore inventory gain, yes?

Jagdish Agarwal: Provision point of view but they are write-offs also. So I mean, we're not getting into the discussion of the overall impact of inventory, but there are provision gains and there are write-offs. So the overall impact will be different.

Rajakumar Vaidyanathan: Yes, because I see a number of INR93.9 million, that's the reason I said.

Jagdish Agarwal: Yes.

Rajakumar Vaidyanathan: So there is also a INR2 crore derivative gains booked. So if you can also comment on that. Is it something to do with the ECB or...

Jagdish Agarwal: No, it is more towards the hedging what we do on our FX exposure, it's related to that. ECB is into INR, it's not into dollar or EU.

Moderator: Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Dhananjay Salunkhe: Okay. Yes, so I think very interesting and engaging conversations. And while we do take questions and in fact, I would say keep asking this question because while we are answering this -- some of them, there are definitely some discoveries. And thank you, Jagdish, you are taking

very notes -- good, so we can actually exchange later on. So I appreciate everyone asking these questions and keeping us engaged, and we continue to engage with all of you. And thank you for your patronage.

Jagdish Agarwal:

Thank you.

Moderator:

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