

# Huhtamaki India Ltd.

Premium product to drive growth, Near term issues transitory in nature, Maintain BUY

Huhtamaki's Q1CY25 performance was better than our estimates. Revenue was almost flattish YoY but declined by 1.5% QoQ. Sequential decline is because of lower volumes. Gross margins expanded by 32bps YoY & 452bps QoQ to ~34% in Q1CY25. While, EBITDA declined by ~6% YoY because of higher employee cost by ~9% however on QoQ basis EBITDA grew by ~48% largely because of focus on key product portfolio and cost efficiency measures. Owing to weak demand from FMCG players because of sluggish urban demand, flexible packaging players were impacted resulting in lower absorption. Also, the demand for premium products was impacted which led to higher sales of commodity products. The company "blueloop" range of products will focus on increasing value-added proportion in its product portfolio, although the pace of growth is slow but will increase going ahead as demand environment improve. The company is banking on this new set of range of blueloop to increase its visibility & offer niche products to its customers. This strategy will help the company to regain back its lost glory & achieve double digit margins in next 5-6 years. The stock price has witnessed correction in the last few months and factored in most of the negatives. Thus, we maintain our BUY rating on the stock.

## Q1CY25 revenue declined by 1.5% QoQ; EBITDA margins expanded because of operational efficiencies & better product mix

- The company's Q1CY25 revenue was almost flattish YoY but declined by 1.5% QoQ. Sequential decline was because of lower volumes. The company has significant room to increase volume as current utilization is mere 60-65% & its new factory of Blueloop will incrementally provide support to volumes along with better margins.
- The employee cost grew by ~9% YoY & by ~7% QoQ to Rs674mn and stood at ~11% of sales in Q1CY25 as compared to ~10% in Q1CY24 & in Q4CY24, while other expenses declined by ~1% YoY but grew by ~9% QoQ to Rs1,012mn.
- EBITDA margin contracted by 38bps YoY but expanded by 211bps QoQ to ~6% in Q1CY25 because of improved product mix & better operational efficiencies.
- The interest cost declined by ~37% YoY but grew by 2% QoQ to ~Rs30mn while the depreciation expenses grew by ~33% YoY but declined by ~8% QoQ to Rs127mn.

## Cost savings measures, non core asset monetization & right strategy started yielding results

- The company had embarked on 'Project Parivartan' (Transformation Project) which focuses on cost transformation, value added products, stronger price realisation to enhance better quality of growth to turnaround its performance. This strategy has yielded results for the company & we believe Huhtamaki is on the verge of a turnaround.
- As the company is focussing on its value-added segment named "Blueloop" which has higher margins & better use case it also provides benefits like reducing input costs, wastage reduction, overhead optimization & improving productivity.

## Valuation

- Currently, the stock is trading at ~9.9x CY26E. We are maintaining our multiple of 16x due to improved sales mix & better operational efficiencies & thereby arrive at target price of Rs 316 per share which is an upside of 61.3% from current valuations. We have visibility of volume growth, strong balance sheet, cost optimization benefits & leveraging its blueloop brand which will increase its premium portfolio. The stock price has witnessed correction in the last few months and factored in most of the negatives. Thus, we maintain our **BUY** rating on the stock.

(Rs mn)	Q1CY25	Q1CY24	YoY (%)	Q4CY24	QoQ	Q1CY25E	Var(%)
<b>Total Income</b>	<b>6,099</b>	<b>6,101</b>	<b>-0.0</b>	<b>6,191</b>	<b>-1.5</b>	<b>5,950</b>	<b>2.5</b>
Operating exp	5,712	5,691	0.4	5,929	-3.7		-
<b>EBITDA</b>	<b>387</b>	<b>411</b>	<b>-5.7</b>	<b>262</b>	<b>47.6</b>	<b>240</b>	<b>61.4</b>
<i>EBITDA margin</i>	<i>6.3</i>	<i>6.7</i>	<i>-38 bps</i>	<i>4.2</i>	<i>211 bps</i>	<i>4.0</i>	<i>232 bps</i>
Depreciation	127	95	33.2	138	-8.2		
Interest	30	48	-36.7	30	2.0		
Other Income	110	83	32.5	58	91.0		
Exceptional item	7	-	NA	-1	-578.6		
<b>PBT</b>	<b>347</b>	<b>351</b>	<b>-1.0</b>	<b>151</b>	<b>130.1</b>		
Tax Expenses	86	91	-5.3	34	152.1		
<i>Effective tax rate</i>	<i>24.7</i>	<i>25.8</i>	<i>-111 bps</i>	<i>22.5</i>	<i>215 bps</i>		
<b>Reported PAT</b>	<b>261</b>	<b>260</b>	<b>0.5</b>	<b>117</b>	<b>123.7</b>		
<b>Adjusted PAT</b>	<b>256</b>	<b>260</b>	<b>-1.5</b>	<b>118</b>	<b>117.4</b>	<b>105</b>	<b>144.3</b>

Source: Company, SMIFS Research

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Adj. EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
CY22	29,829	13.6	1,570	5.3	496	504.3	6.6	6.7	6.8	28.9	11.5
CY23	25,494	-14.5	1,947	7.6	1,325	166.9	17.5	13.9	10.3	14.2	9.0
CY24	25,212	-1.1	1,173	4.7	648	-51.1	8.6	5.5	5.7	39.6	20.4
CY25E	27,120	7.6	1,679	6.2	996	53.6	13.2	8.1	7.8	14.9	8.0
CY26E	29,425	8.5	2,386	8.1	1,492	49.8	19.8	11.1	10.7	9.9	5.2

Source: Company, SMIFS Research Estimates



Rating: **BUY**

Return: **61.3%**

Current Price: **196**

Target Price: **316**

## Earlier recommendation

Previous Rating:	BUY
Previous Target Price:	334

## Market data

Bloomberg:	HUIN IN
52-week H/L (Rs):	452/170
Mcap (Rs bn/USD bn):	14.8/0.2
Shares outstanding (mn):	75.5
Free float:	32.0%
Daily vol. (3M Avg. In mn):	0.17mn
Face Value (Rs):	2.0

Source: Bloomberg, ACE Equity, SMIFS Research

## Shareholding pattern (%)

	Mar-25	Dec-24	Sep-24	Jun-24
Promoter	67.7	67.7	67.7	67.7
FII's	1.2	1.2	1.4	1.4
DII's	1.1	1.3	1.4	1.1
Public/others	30.0	29.8	29.5	29.8

## Pro. Pledging (%)

Pledging	0.0	0.0	0.0	0.0
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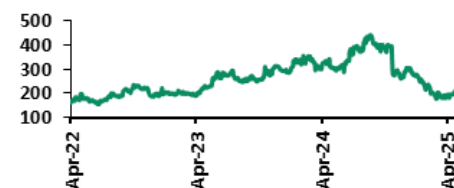
Source: BSE

## Price performance (%)\*

	1M	3M	12M	36M
Nifty 50	1.6	4.1	6.5	41.8
Nifty 500	1.9	2.5	4.7	48.9
Huhtamaki	5.0	-16.5	-36.8	14.4

\*as on 25<sup>th</sup> April 2025; Source: AceEquity, SMIFS Research

## 3 Year Price Performance Chart



Source: NSE

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## Analyst Call Highlights

**Blueloop brand gaining traction:** Huhtamaki's blueloop category products have started gaining traction which will replace old low value products with combination of adding new product portfolios which offers better margins. It will also enable the company to move from packaging convertor to solution provider by adding capability in a phased manner. In Q1CY25, 27-30% of products are sold of Blueloop brand as compared to ~27% in CY24 and by the year 2030 it is expected to reach around 100% of total products.

**The company is aligned with 2030 strategy to become the first-choice supplier in sustainable packaging solutions driven by technology and operational excellence.**

During the quarter, demand remained bit subdued. However, it is set to recover in the subsequent quarters. The sales volume was slight lower QoQ and YoY due to challenges faced with muted customer sentiments and weaker urban demand.

**Management stated that the company is focussed on achieving double digit margins.**

**Capacity Utilization levels:** As on Q1CY25 the capacity utilization is around ~60-65%.

**Other business highlights:** Huhtamaki is also focusing on increasing the share of flexible packaging and restarting the sales of products which were dropped out earlier due to lower profitability. Management foresees competition in the market very intense and in order to tackle it the company is innovating its product basket, improving cost efficiencies & expanding its reach to newer set of customers.

Revenue contribution: Export – 30% and Domestic - 70%. Currently, there are no major challenges faced and this ratio is expected to be maintained in the future.

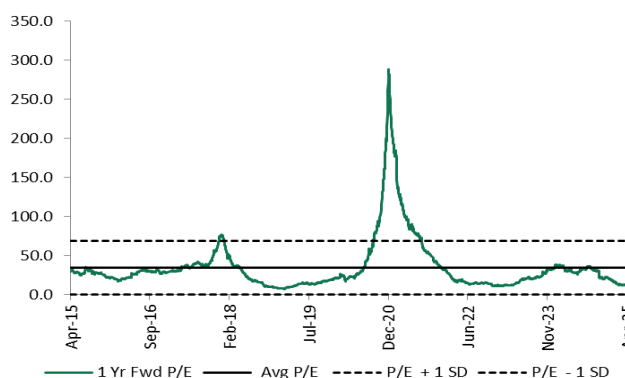
There is no major capex planned for now and the repayment of borrowing of ~Rs1bn will be done in CY27.

## Outlook and Valuation

Currently, the stock is trading at ~9.9x CY26E. We are maintaining our multiple of 16x due to improved sales mix & better operational efficiencies & thereby arrive at target price of Rs 316 per share which is an upside of 61.3% from current valuations. We have visibility of volume growth, strong balance sheet, cost optimization benefits & leveraging its blueloop brand which will increase its premium portfolio. The stock price has witnessed correction in the last few months and factored in most of the negatives. Thus, we maintain our **BUY** rating on the stock.

Key risks for the company include volatility in raw material prices of PE films & biaxially oriented polyethylene, increase in competition and decline in FMCG consumption.

**Fig 1: Huhtamaki India – PE Chart**



Source: Company, SMIFS Research

## Quarterly financials, operating metrics and key performance indicators

**Fig 2: Quarterly Financials**

Y/E March (Rs mn)	Q2CY23	Q3CY23	Q4CY23	Q1CY24	Q2CY24	Q3CY24	Q4CY24	Q1CY25
<b>Net Revenue</b>	<b>6217</b>	<b>6625</b>	<b>6037</b>	<b>6101</b>	<b>6395</b>	<b>6525</b>	<b>6191</b>	<b>6099</b>
Cost of goods sold	4245	4536	3978	4047	4430	4554	4367	4026
<b>Gross Profit</b>	<b>1972</b>	<b>2089</b>	<b>2059</b>	<b>2054</b>	<b>1965</b>	<b>1971</b>	<b>1825</b>	<b>2073</b>
Employees Cost	646	686	630	617	653	642	631	674
Other Expenses	927	945	852	1027	992	1148	931	1012
<b>EBITDA</b>	<b>400</b>	<b>457</b>	<b>577</b>	<b>411</b>	<b>320</b>	<b>181</b>	<b>262</b>	<b>387</b>
Depreciation	116	108	112	95	120	122	138	127
Interest cost	100	75	62	48	50	48	30	30
Other Income	21	30	41	83	63	133	58	110
<b>PBT (bef. EOI)</b>	<b>206</b>	<b>304</b>	<b>444</b>	<b>351</b>	<b>213</b>	<b>143</b>	<b>152</b>	<b>341</b>
Exceptional item	-21	0	3717	0	295	15	-1	7
<b>PBT</b>	<b>185</b>	<b>304</b>	<b>4160</b>	<b>351</b>	<b>508</b>	<b>158</b>	<b>151</b>	<b>347</b>
Tax	40	-19	886	91	123	41	34	86
<i>Tax rate (%)</i>	21.7	-6.2	21.3	25.8	24.2	26.1	22.5	24.7
<b>Reported Net Profit</b>	<b>145</b>	<b>323</b>	<b>3274</b>	<b>260</b>	<b>385</b>	<b>117</b>	<b>117</b>	<b>262</b>
<b>Adjusted Net Profit</b>	<b>161</b>	<b>323</b>	<b>349</b>	<b>260</b>	<b>164</b>	<b>106</b>	<b>118</b>	<b>256</b>
EPS (In Rs)	1.9	4.3	43.4	3.4	5.1	1.6	1.5	3.5
Adj EPS (In Rs)	2.1	4.3	4.6	3.4	2.2	1.4	1.6	3.4
<b>YoY Growth (%)</b>								
<i>Net Revenue</i>	-21.6	-13.9	-12.8	-7.8	2.9	-1.5	2.5	0.0
<i>EBITDA</i>	15.9	99.3	18.1	-19.9	-20.0	-60.5	-54.5	-5.7
<i>Adj PAT</i>	96.9	80575.0	107.4	-26.7	2.4	-67.3	-66.2	-1.5
<b>QoQ Growth (%)</b>								
<i>Net Revenue</i>	-6.0	6.6	-8.9	1.1	4.8	2.0	-5.1	-1.5
<i>EBITDA</i>	-22.1	14.5	26.2	-28.9	-22.1	-43.4	45.1	47.6
<i>Adj PAT</i>	-54.8	101.1	8.2	-25.5	-36.9	-35.7	11.7	117.4
<b>Margin (%)</b>								
<i>Gross</i>	31.7	31.5	34.1	33.7	30.7	30.2	29.5	34.0
<i>EBITDA</i>	6.4	6.9	9.6	6.7	5.0	2.8	4.2	6.3
<i>Adj PAT</i>	2.6	4.9	5.8	4.3	2.6	1.6	1.9	4.2

Source: Company, SMIFS Research

**Fig 3: Change in Estimates**

	New Estimates		Old Estimates		Change (%)	
	CY25E	CY26E	CY25E	CY26E	CY25E	CY26E
Revenue	27120	29425	27253	29832	-0.5%	-1.4%
EBITDA	1679	2386	1706	2466	-1.6%	-3.2%
EBITDA Margin	6.2%	8.1%	6.3%	8.3%	(7) bps	(16) bps
PAT	996	1492	1012	1578	-1.6%	-5.5%
EPS (Rs)	13.2	19.8	13.4	20.9	-1.6%	-5.5%

Source: Company, SMIFS Research Estimates

We cut our estimates for CY25E/CY26E in Revenue by ~1%, in EBITDA ~2%/3% and in PAT by ~2%/5.5% because of impact in demand for premium products, higher raw material prices and slower uptick in domestic demand.

## Financial Statements

Income Statement Y/E March (Rs mn)	CY22	CY23	CY24	CY25E	CY26E
<b>Net Revenue</b>	<b>29,829</b>	<b>25,494</b>	<b>25,212</b>	<b>27,120</b>	<b>29,425</b>
Raw Materials	21,837	17,367	17,398	18,442	19,715
% of sales	73.2	68.1	69.0	68.0	67.0
Employee Cost	2,536	2,555	2,542	2,714	2,852
% of sales	8.5	10.0	10.1	10.0	9.7
Other Expenses	3,886	3,626	4,098	4,285	4,473
% of sales	13.0	14.2	16.3	15.8	15.2
<b>EBITDA</b>	<b>1,570</b>	<b>1,947</b>	<b>1,173</b>	<b>1,679</b>	<b>2,386</b>
Other Income	172	155	337	304	316
Depreciation & Amortisation	861	492	475	519	562
<b>EBIT</b>	<b>882</b>	<b>1,610</b>	<b>1,035</b>	<b>1,464</b>	<b>2,140</b>
Interest Cost	323	305	175	127	137
<b>Core PBT</b>	<b>387</b>	<b>1,150</b>	<b>523</b>	<b>1,033</b>	<b>1,687</b>
Exceptional item	-	3,695	309	7	-
<b>PBT</b>	<b>559</b>	<b>5,000</b>	<b>1,168</b>	<b>1,330</b>	<b>2,003</b>
Tax Expenses	63	904	289	343	511
Effective tax rate (%)	11.2	18.1	24.7	25.8	25.5
<b>Reported PAT</b>	<b>496</b>	<b>4,096</b>	<b>880</b>	<b>988</b>	<b>1,492</b>
<b>Adjusted PAT</b>	<b>496</b>	<b>1,325</b>	<b>648</b>	<b>996</b>	<b>1,492</b>

Source: Company, SMIFS Research Estimates

Key Ratios Y/E March (Rs mn)	CY22	CY23	CY24	CY25E	CY26E
<b>Growth (%)</b>					
Net Revenue	13.6	-14.5	-1.1	7.6	8.5
EBITDA	44.0	24.0	-39.7	43.1	42.1
Adj. PAT	504.3	166.9	-51.1	53.6	49.8
<b>Margins (%)</b>					
Gross Profit Margin	26.8	31.9	31.0	32.0	33.0
EBITDA Margin	5.3	7.6	4.7	6.2	8.1
EBIT Margin	3.0	6.3	4.1	5.4	7.3
Core PBT Margin	1.3	4.5	2.1	3.8	5.7
PBT Margins	1.9	19.6	4.6	4.9	6.8
Adj PAT Margin	1.7	5.2	2.6	3.7	5.1
<b>Return Ratios (%)</b>					
RoE	6.7	13.9	5.5	8.1	11.1
RoCE	6.8	10.3	5.7	7.8	10.7
<b>Turnover Ratios (x)</b>					
Gross Block Turnover (x)	3.1	2.7	2.4	2.4	2.5
Adj OCF / Adj PAT (%)	190	181	183	26	105
Inventory	36	39	36	46	51
Debtors	81	79	83	85	87
Creditors	58	67	69	75	75
Cash Conversion Cycle	59	51	50	56	63
<b>Solvency ratio (x)</b>					
Debt/Equity	0.5	0.2	0.1	0.1	0.1
Net Debt/Equity	0.5	-0.1	-0.1	-0.1	-0.2
Gross Debt / EBITDA	2.6	1.3	1.3	0.9	0.6
Current ratio	1.9	2.2	2.2	2.5	2.6
Interest Coverage Ratio	2.7	5.3	5.9	11.5	15.6
<b>Dividend</b>					
DPS (Rs)	2.0	2.0	5.0	2.0	2.0
Dividend Yield (%)	1.1	0.8	1.5	1.0	1.0
Dividend Payout (%)	30.4	11.4	58.3	15.2	10.1
<b>Per Share Data (In Rs)</b>					
Basic EPS (reported)	6.6	54.2	11.7	13.3	19.8
Adj EPS	6.6	17.5	8.6	13.2	19.8
CEPS	18.0	24.1	14.9	20.1	27.2
BVPS	100.2	152.3	158.0	169.3	187.0
<b>Valuation Ratios (x)</b>					
Adj. P/E	28.9	14.2	39.6	14.9	9.9
P/BV	1.9	1.6	2.2	1.2	1.0
EV/ EBITDA	11.5	9.0	20.4	8.0	5.2
EV/ Sales	0.6	0.7	0.9	0.5	0.4
Adj Mcap / Core PBT	36.0	12.9	42.9	11.6	6.5
Adj Mcap / Adj OCF	14.8	6.2	18.9	45.7	7.0

Source: Company, SMIFS Research Estimates

Balance Sheet Y/E March (Rs mn)	CY22	CY23	CY24	CY25E	CY26E
<b>Source of funds</b>					
Share Capital	151	151	151	151	151
Reserves & Surplus	7,418	11,354	11,784	12,634	13,975
<b>Shareholder's funds</b>	<b>7,570</b>	<b>11,505</b>	<b>11,936</b>	<b>12,785</b>	<b>14,126</b>
<b>Total Debt</b>	<b>4,097</b>	<b>2,546</b>	<b>1,487</b>	<b>1,487</b>	<b>1,487</b>
Other non-current liabilities	146	184	237	194	232
<b>Total Liabilities</b>	<b>11,813</b>	<b>14,234</b>	<b>13,659</b>	<b>14,466</b>	<b>15,846</b>
<b>Application of funds</b>					
Gross Block	9,397	9,621	11,025	11,445	12,495
Net Block	4,164	4,208	5,352	5,464	5,540
Capital WIP	350	1,311	403	662	710
Quasi Cash Investments	-	-	-	-	-
<b>Other Investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other non-current assets</b>	<b>2,369</b>	<b>1,883</b>	<b>1,719</b>	<b>1,816</b>	<b>1,778</b>
Inventories	2,980	2,699	2,502	2,837	3,033
Sundry Debtors	6,587	5,510	5,704	5,920	6,396
Cash and Bank Balances	432	3,120	1,760	1,285	2,336
Current Investments	-	797	1,515	1,515	1,515
Other Current assets	624	480	416	479	520
<b>Total Current Assets</b>	<b>10,623</b>	<b>12,607</b>	<b>11,897</b>	<b>12,036</b>	<b>13,800</b>
<b>Sundry Creditors</b>	<b>4,780</b>	<b>4,675</b>	<b>4,779</b>	<b>4,610</b>	<b>4,929</b>
Other Current Liabilities	914	1,101	933	901	1,053
<b>Total Current Liabilities</b>	<b>5,694</b>	<b>5,776</b>	<b>5,711</b>	<b>5,511</b>	<b>5,982</b>
<b>Net Current Assets</b>	<b>4,929</b>	<b>6,831</b>	<b>6,186</b>	<b>6,525</b>	<b>7,819</b>
<b>Total Assets</b>	<b>11,813</b>	<b>14,234</b>	<b>13,659</b>	<b>14,466</b>	<b>15,846</b>

Source: Company, SMIFS Research Estimates

Cash Flow Statement Y/E March (Rs mn)	CY22	CY23	CY24	CY25E	CY26E
<b>Operating profit before WC</b>	<b>1,752</b>	<b>1,775</b>	<b>1,471</b>	<b>1,686</b>	<b>2,386</b>
Net changes in working capital	-294	1,226	-92	-954	-166
Taxes Paid	-132	-265	45	-343	-511
<b>Cash Flow from Operating Activities</b>	<b>1,327</b>	<b>2,736</b>	<b>1,423</b>	<b>389</b>	<b>1,709</b>
<b>Adj OCF</b>	<b>944</b>	<b>2,404</b>	<b>1,188</b>	<b>263</b>	<b>1,572</b>
Capital Expenditure	-912	-911	-617	-890	-900
Adj FCF	33	1,492	572	-628	672
<b>Cash Flow from Investing Activities</b>	<b>-896</b>	<b>398</b>	<b>-769</b>	<b>-586</b>	<b>-370</b>
Debt	144	-1,631	-1,000	-	-
Dividend	-78	-152	-378	-151	-151
Interest and lease	-382	-332	-235	-127	-137
<b>Cash Flow from Financing Activities</b>	<b>-316</b>	<b>-2,115</b>	<b>-1,613</b>	<b>-278</b>	<b>-288</b>
<b>Net change in cash</b>	<b>115</b>	<b>1,019</b>	<b>-958</b>	<b>-475</b>	<b>1,052</b>

Source: Company, SMIFS Research Estimates

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Analyst holding in stock: **NO**

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