

Huhtamaki India Ltd.

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

Huhtamaki's Q2CY25 performance was better than our estimates. Revenue declined YoY by ~4% but grew by 0.4% QoQ because of lower volumes. Gross margins expanded by 370bps YoY & 44bps QoQ to ~34% in Q2CY25. EBITDA grew by ~33% YoY & by ~10% QoQ largely because of focus on key product portfolio and cost efficiency measures. Sluggish urban demand is impacting FMCG volumes coupled with higher inflationary pressure, early monsoon and increase in commodization rate of products led to muted topline. 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 improves. 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 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. We roll forward our estimates to June 27E & maintain our target multiple of 16x & BUY rating on the stock.

Q2CY25 revenue was almost flattish QoQ; EBITDA margins expanded because of operational efficiencies & better product mix

- The company's Q2CY25 revenue declined YoY by ~4% but grew by small 0.4% QoQ. Lower sales volumes were due to weak demand from urban market, early monsoon, inflationary pressure and increase in commodization rate of products. The company has significant room to increase volume as current utilization is ~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 ~6% QoQ to Rs712mn and stood at ~12% of sales in Q2CY25 as compared to ~10% in Q2CY24 & ~11% in Q1CY25, while other expenses declined by ~2% YoY and by ~4% QoQ to Rs970mn.
- EBITDA margin expanded by 196bps YoY and by 61bps QoQ to ~7% in Q2CY25 led by improved product mix & better operational efficiencies.
- The interest cost declined by ~39% YoY but grew by ~1% QoQ to ~Rs31mn while the depreciation expenses grew by 9.5% YoY and by ~3% QoQ to Rs131mn.

Cost savings measures, noncore 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

- We roll forward our valuation to June 27E and the stock is trading at ~10x with an EPS of ~Rs21.8 per share. We are maintaining our multiple of 16x led by improved sales mix & better operational efficiencies & thereby arrive at target price of Rs 348 per share which is an upside of ~60% 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 **BUY** rating on the stock.

| (Rs mn) | Q2CY25 | Q2CY24 | YoY (%) | Q1CY25 | QoQ (%) | Q2CY25E | Var(%) |
|----------------------|--------------|--------------|----------------|--------------|---------------|--------------|----------------|
| Total Income | 6,122 | 6,395 | -4.3 | 6,099 | 0.4 | 5,920 | 3.4 |
| Operating exp | 5,696 | 6,075 | -6.2 | 5,712 | -0.3 | | - |
| EBITDA | 426 | 320 | 33.3 | 387 | 10.0 | 305 | 39.6 |
| <i>EBITDA margin</i> | <i>7.0</i> | <i>5.0</i> | <i>196 bps</i> | <i>6.3</i> | <i>61 bps</i> | <i>5.2</i> | <i>180 bps</i> |
| Depreciation | 131 | 120 | 9.5 | 127 | 3.2 | | |
| Interest | 31 | 50 | -38.7 | 30 | 1.3 | | |
| Other Income | 67 | 63 | 5.7 | 110 | -39.4 | | |
| Exceptional item | 3 | 295 | -99.1 | 7 | -58.2 | | |
| PBT | 334 | 508 | -34.3 | 347 | -3.8 | | |
| Tax Expenses | 85 | 123 | -31.1 | 86 | -1.3 | | |
| Effective tax rate | 25.3 | 24.2 | 117 bps | 24.7 | 65 bps | | |
| Reported PAT | 249 | 385 | -35.3 | 261 | -4.6 | | |
| Adjusted PAT | 247 | 164 | 50.5 | 256 | -3.6 | 177 | 39.7 |

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) |
|-----------------|---------|---------|--------|------------|----------|---------|----------|---------|----------|---------|---------------|
| 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 | 26,745 | 6.1 | 1,618 | 6.1 | 1,006 | 55.2 | 13.3 | 8.1 | 7.8 | 16.4 | 9.7 |
| CY26E | 28,488 | 6.5 | 2,303 | 8.1 | 1,475 | 46.6 | 19.5 | 11.0 | 10.5 | 11.2 | 6.4 |
| CY27E | 30,512 | 7.1 | 2,770 | 9.1 | 1,814 | 23.0 | 24.0 | 12.1 | 11.7 | 9.1 | 4.9 |

Source: Company, SMIFS Research Estimates



Rating: **BUY** Return: **60%**
 Current Price: **219** Target Price: **348**

Earlier recommendation

Previous Rating: BUY
 Previous Target Price: 316

Market data

| | |
|-----------------------------|----------|
| Bloomberg: | HUIN IN |
| 52-week H/L (Rs): | 452/170 |
| Mcap (Rs bn/USD bn): | 16.5/0.2 |
| Shares outstanding (mn): | 75.5 |
| Free float: | 31.8% |
| Daily vol. (3M Avg. In mn): | 0.23mn |
| Face Value (Rs): | 2.0 |

Source: Bloomberg, ACE Equity, SMIFS Research

Shareholding pattern (%)

| | Jun-25 | Mar-25 | Dec-24 | Sep-24 |
|---------------|--------|--------|--------|--------|
| Promoter | 67.7 | 67.7 | 67.7 | 67.7 |
| FIIs | 1.1 | 1.2 | 1.2 | 1.4 |
| DIIs | 0.6 | 1.1 | 1.3 | 1.4 |
| Public/others | 30.6 | 30.0 | 29.8 | 29.5 |

Pro. Pledging (%)

| | | | | |
|----------|-----|-----|-----|-----|
| Pledging | 0.0 | 0.0 | 0.0 | 0.0 |
|----------|-----|-----|-----|-----|

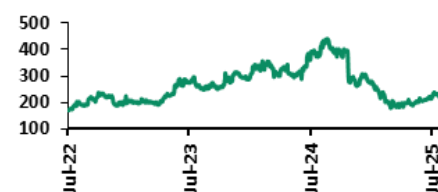
Source: BSE

Price performance (%)*

| | 1M | 3M | 12M | 36M |
|-----------|------|------|-------|------|
| Nifty 50 | -1.6 | 3.3 | 1.8 | 49.3 |
| Nifty 500 | -1.2 | 5.3 | 0.4 | 61.2 |
| Huhtamaki | -0.5 | 11.2 | -42.4 | 18.8 |

*as on 25th July 2025; Source: AceEquity, SMIFS Research

3 Year Price Performance Chart



Source: NSE

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Analyst Call Highlights

Key Expansion areas in future: The company is trying to bring innovative products in paper-based segment, increasing its product share in tube laminated from current high single digit contribution, and trying to expand in pet care & pet food packaging which is currently a growing industry.

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 Q2CY25, 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 subdued. However, it is set to recover in the subsequent quarters. The sales volume was nearly flattish QoQ while declined YoY due to challenges faced like muted customer sentiments and weaker urban demand. Also, early monsoon, inflationary pressure and increase in commodization rate for products in the industry dampened the demand sentiment.

Capacity Utilization levels: As on Q2CY25 the capacity utilization is ~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 to tackle it the company is innovating its product basket, improving cost efficiencies & expanding its reach to newer set of customers.

Revenue contribution: Export – 30-32% and Domestic – 68-70%. Currently, there are no major challenges faced, and this ratio is expected to be maintained in the future.

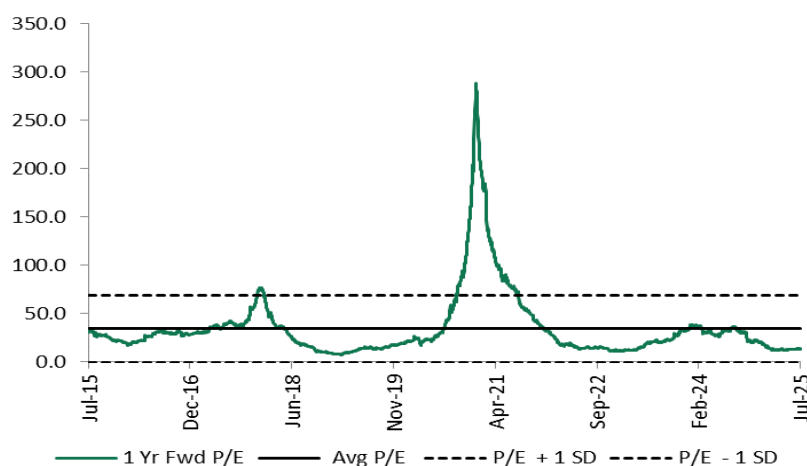
There is no major capex planned for now and the repayment of borrowing of ~Rs1bn will be done in CY27E.

Outlook and Valuation

We roll forward our valuation to June 27E and the stock is trading at ~10x with an EPS of ~Rs21.8 per share. We are maintaining our multiple of 16x due to improved sales mix & better operational efficiencies & thereby arrive at target price of Rs 348 per share which is an upside of ~60% 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 **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) | Q3CY23 | Q4CY23 | Q1CY24 | Q2CY24 | Q3CY24 | Q4CY24 | Q1CY25 | Q2CY25 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net Revenue | 6625 | 6037 | 6101 | 6395 | 6525 | 6191 | 6099 | 6122 |
| Cost of goods sold | 4536 | 3978 | 4047 | 4430 | 4554 | 4367 | 4026 | 4015 |
| Gross Profit | 2089 | 2059 | 2054 | 1965 | 1971 | 1825 | 2073 | 2108 |
| Employees Cost | 686 | 630 | 617 | 653 | 642 | 631 | 674 | 712 |
| Other Expenses | 945 | 852 | 1027 | 992 | 1148 | 931 | 1012 | 970 |
| EBITDA | 457 | 577 | 411 | 320 | 181 | 262 | 387 | 426 |
| Depreciation | 108 | 112 | 95 | 120 | 122 | 138 | 127 | 131 |
| Interest cost | 75 | 62 | 48 | 50 | 48 | 30 | 30 | 31 |
| Other Income | 30 | 41 | 83 | 63 | 133 | 58 | 110 | 67 |
| PBT (bef. EOI) | 304 | 444 | 351 | 213 | 143 | 152 | 341 | 331 |
| Exceptional item | 0 | 3717 | 0 | 295 | 15 | -1 | 7 | 3 |
| PBT | 304 | 4160 | 351 | 508 | 158 | 151 | 347 | 334 |
| Tax | -19 | 886 | 91 | 123 | 41 | 34 | 86 | 85 |
| <i>Tax rate (%)</i> | -6.2 | 21.3 | 25.8 | 24.2 | 26.1 | 22.5 | 24.7 | 25.3 |
| Reported Net Profit | 323 | 3274 | 260 | 385 | 117 | 117 | 262 | 249 |
| Adjusted Net Profit | 323 | 349 | 260 | 164 | 106 | 118 | 256 | 247 |
| EPS (In Rs) | 4.3 | 43.4 | 3.4 | 5.1 | 1.6 | 1.5 | 3.5 | 3.3 |
| Adj EPS (In Rs) | 4.3 | 4.6 | 3.4 | 2.2 | 1.4 | 1.6 | 3.4 | 3.3 |
| YoY Growth (%) | | | | | | | | |
| <i>Net Revenue</i> | -13.9 | -12.8 | -7.8 | 2.9 | -1.5 | 2.5 | 0.0 | -4.3 |
| <i>EBITDA</i> | 99.3 | 18.1 | -19.9 | -20.0 | -60.5 | -54.5 | -5.7 | 33.3 |
| <i>Adj PAT</i> | NA | 107.4 | -26.7 | 2.4 | -67.3 | -66.2 | -1.5 | 50.5 |
| QoQ Growth (%) | | | | | | | | |
| <i>Net Revenue</i> | 6.6 | -8.9 | 1.1 | 4.8 | 2.0 | -5.1 | -1.5 | 0.4 |
| <i>EBITDA</i> | 14.5 | 26.2 | -28.9 | -22.1 | -43.4 | 45.1 | 47.6 | 10.0 |
| <i>Adj PAT</i> | 101.1 | 8.2 | -25.5 | -36.9 | -35.7 | 11.7 | 117.4 | -3.6 |
| Margin (%) | | | | | | | | |
| <i>Gross</i> | 31.5 | 34.1 | 33.7 | 30.7 | 30.2 | 29.5 | 34.0 | 34.4 |
| <i>EBITDA</i> | 6.9 | 9.6 | 6.7 | 5.0 | 2.8 | 4.2 | 6.3 | 7.0 |
| <i>Adj PAT</i> | 4.9 | 5.8 | 4.3 | 2.6 | 1.6 | 1.9 | 4.2 | 4.0 |

Source: Company, SMIFS Research

Fig 3: Change in Estimates

| | New Estimates | | Old Estimates | | Change (%) | |
|---------------|---------------|-------|---------------|-------|------------|---------|
| | CY25E | CY26E | CY25E | CY26E | CY25E | CY26E |
| Revenue | 26745 | 28488 | 27120 | 29425 | -1.4% | -3.2% |
| EBITDA | 1618 | 2303 | 1679 | 2386 | -3.6% | -3.5% |
| EBITDA Margin | 6.1% | 8.1% | 6.2% | 8.1% | (14) bps | (3) bps |
| PAT | 1006 | 1475 | 996 | 1492 | 1.0% | -1.2% |
| EPS (Rs) | 13.3 | 19.5 | 13.2 | 19.8 | 0.9% | -1.4% |

Source: Company, SMIFS Research Estimates

We keep CY25E estimates flattish & slightly cut CY26E because of uncertain demand for premium products and expected slower uptick in domestic demand.

Financial Statements

| Income Statement | | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March (Rs mn) | CY23 | CY24 | CY25E | CY26E | CY27E |
| Net Revenue | 25,494 | 25,212 | 26,745 | 28,488 | 30,512 |
| Raw Materials | 17,367 | 17,398 | 18,187 | 18,944 | 19,985 |
| % of sales | 68.1 | 69.0 | 68.0 | 66.5 | 65.5 |
| Employee Cost | 2,555 | 2,542 | 2,714 | 2,882 | 3,058 |
| % of sales | 10.0 | 10.1 | 10.1 | 10.1 | 10.0 |
| Other Expenses | 3,626 | 4,098 | 4,226 | 4,359 | 4,699 |
| % of sales | 14.2 | 16.3 | 15.8 | 15.3 | 15.4 |
| EBITDA | 1,947 | 1,173 | 1,618 | 2,303 | 2,770 |
| Other Income | 155 | 337 | 347 | 305 | 355 |
| Depreciation & Amortisation | 492 | 475 | 535 | 578 | 666 |
| EBIT | 1,610 | 1,035 | 1,431 | 2,030 | 2,459 |
| Interest Cost | 305 | 175 | 80 | 51 | 24 |
| Core PBT | 1,150 | 523 | 1,003 | 1,674 | 2,081 |
| Exceptional item | 3,695 | 309 | 16 | - | - |
| PBT | 5,000 | 1,168 | 1,334 | 1,979 | 2,435 |
| Tax Expenses | 904 | 289 | 348 | 505 | 621 |
| Effective tax rate (%) | 18.1 | 24.7 | 26.1 | 25.5 | 25.5 |
| Reported PAT | 4,096 | 880 | 986 | 1,475 | 1,814 |
| Adjusted PAT | 1,325 | 648 | 1,006 | 1,475 | 1,814 |

Source: Company, SMIFS Research Estimates

| Key Ratios | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|
| Y/E March (Rs mn) | CY23 | CY24 | CY25E | CY26E | CY27E |
| Growth (%) | | | | | |
| Net Revenue | -14.5 | -1.1 | 6.1 | 6.5 | 7.1 |
| EBITDA | 24.0 | -39.7 | 37.9 | 42.3 | 20.3 |
| Adj. PAT | 166.9 | -51.1 | 55.2 | 46.6 | 23.0 |
| Margins (%) | | | | | |
| Gross Profit Margin | 31.9 | 31.0 | 32.0 | 33.5 | 34.5 |
| EBITDA Margin | 7.6 | 4.7 | 6.1 | 8.1 | 9.1 |
| EBIT Margin | 6.3 | 4.1 | 5.3 | 7.1 | 8.1 |
| Core PBT Margin | 4.5 | 2.1 | 3.8 | 5.9 | 6.8 |
| PBT Margins | 19.6 | 4.6 | 5.0 | 6.9 | 8.0 |
| Adj PAT Margin | 5.2 | 2.6 | 3.8 | 5.2 | 5.9 |
| Return Ratios (%) | | | | | |
| RoE | 13.9 | 5.5 | 8.1 | 11.0 | 12.1 |
| RoCE | 10.3 | 5.7 | 7.8 | 10.5 | 11.7 |
| Turnover Ratios (x) | | | | | |
| Gross Block Turnover (x) | 2.7 | 2.4 | 2.3 | 2.3 | 2.3 |
| Adj OCF / Adj PAT (%) | 181 | 183 | 12 | 103 | 98 |
| Inventory | 39 | 36 | 46 | 51 | 55 |
| Debtors | 79 | 83 | 85 | 87 | 85 |
| Creditors | 67 | 69 | 75 | 75 | 75 |
| Cash Conversion Cycle | 51 | 50 | 56 | 63 | 65 |
| Solvency ratio (x) | | | | | |
| Debt/Equity | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 |
| Net Debt/Equity | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 |
| Gross Debt / EBITDA | 1.3 | 1.3 | 0.6 | 0.3 | 0.2 |
| Current ratio | 2.2 | 2.2 | 2.3 | 2.4 | 2.5 |
| Interest Coverage Ratio | 5.3 | 5.9 | 17.8 | 40.1 | 104.3 |
| Dividend | | | | | |
| DPS (Rs) | 2.0 | 5.0 | 2.0 | 2.0 | 2.0 |
| Dividend Yield (%) | 0.8 | 1.5 | 0.9 | 0.9 | 0.9 |
| Dividend Payout (%) | 11.4 | 58.3 | 15.0 | 10.2 | 8.3 |
| Per Share Data (In Rs) | | | | | |
| Basic EPS (reported) | 54.2 | 11.7 | 13.5 | 19.5 | 24.0 |
| Adj EPS | 17.5 | 8.6 | 13.3 | 19.5 | 24.0 |
| CEPS | 24.1 | 14.9 | 20.4 | 27.2 | 32.8 |
| BVPS | 152.3 | 158.0 | 169.5 | 187.0 | 209.1 |
| Valuation Ratios (x) | | | | | |
| Adj. P/E | 14.2 | 39.6 | 16.4 | 11.2 | 9.1 |
| P/BV | 1.6 | 2.2 | 1.3 | 1.2 | 1.0 |
| EV/ EBITDA | 9.0 | 20.4 | 9.7 | 6.4 | 4.9 |
| EV/ Sales | 0.7 | 0.9 | 0.6 | 0.5 | 0.4 |
| Adj Mcap / Core PBT | 12.9 | 42.9 | 14.6 | 8.3 | 6.2 |
| Adj Mcap / Adj OCF | 6.2 | 18.9 | 125.5 | 9.1 | 7.3 |

Source: Company, SMIFS Research Estimates

| Balance Sheet | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March (Rs mn) | CY23 | CY24 | CY25E | CY26E | CY27E |
| Source of funds | | | | | |
| Share Capital | 151 | 151 | 151 | 151 | 151 |
| Reserves & Surplus | 11,354 | 11,784 | 12,651 | 13,975 | 15,638 |
| Shareholder's funds | 11,505 | 11,936 | 12,802 | 14,126 | 15,789 |
| Total Debt | 2,546 | 1,487 | 997 | 797 | 597 |
| Other non-current liabilities | 184 | 237 | 290 | 260 | 298 |
| Total Liabilities | 14,234 | 13,659 | 14,089 | 15,183 | 16,685 |
| Application of funds | | | | | |
| Gross Block | 9,621 | 11,025 | 11,835 | 12,885 | 13,555 |
| Net Block | 4,208 | 5,352 | 5,839 | 5,899 | 6,114 |
| Capital WIP | 1,311 | 403 | 662 | 710 | 751 |
| Quasi Cash Investments | - | - | - | - | - |
| Other Investments | - | - | - | - | - |
| Other non-current assets | 1,883 | 1,719 | 1,410 | 1,468 | 1,497 |
| Inventories | 2,699 | 2,502 | 2,933 | 3,056 | 3,223 |
| Sundry Debtors | 5,510 | 5,704 | 6,495 | 6,904 | 7,375 |
| Cash and Bank Balances | 3,120 | 1,760 | 702 | 1,489 | 2,351 |
| Current Investments | 797 | 1,515 | 1,165 | 1,165 | 1,165 |
| Other Current assets | 480 | 416 | 621 | 555 | 602 |
| Total Current Assets | 12,607 | 11,897 | 11,915 | 13,169 | 14,716 |
| Sundry Creditors | 4,675 | 4,779 | 4,786 | 4,985 | 5,259 |
| Other Current Liabilities | 1,101 | 933 | 951 | 1,077 | 1,134 |
| Total Current Liabilities | 5,776 | 5,711 | 5,737 | 6,063 | 6,393 |
| Net Current Assets | 6,831 | 6,186 | 6,179 | 7,106 | 8,322 |
| Total Assets | 14,234 | 13,659 | 14,089 | 15,183 | 16,685 |

Source: Company, SMIFS Research Estimates

| Cash Flow Statement | | | | | |
|--|---------------|---------------|---------------|--------------|--------------|
| Y/E March (Rs mn) | CY23 | CY24 | CY25E | CY26E | CY27E |
| Operating profit before WC | 1,775 | 1,471 | 1,634 | 2,303 | 2,770 |
| Net changes in working capital | 1,226 | -92 | -1,089 | -229 | -345 |
| Taxes Paid | -265 | 45 | -348 | -505 | -621 |
| Cash Flow from Operating Activities | 2,736 | 1,423 | 197 | 1,569 | 1,804 |
| Adj OCF | 2,404 | 1,188 | 117 | 1,518 | 1,780 |
| Capital Expenditure | -911 | -617 | -1,280 | -900 | -500 |
| Adj FCF | 1,492 | 572 | -1,164 | 618 | 1,280 |
| Cash Flow from Investing Activities | 398 | -769 | -583 | -381 | -568 |
| Debt | -1,631 | -1,000 | -440 | -200 | -200 |
| Dividend | -152 | -378 | -151 | -151 | -151 |
| Interest and lease | -332 | -235 | -80 | -51 | -24 |
| Cash Flow from Financing Activities | -2,115 | -1,613 | -672 | -402 | -375 |
| Net change in cash | 1,019 | -958 | -1,058 | 787 | 862 |

Source: Company, SMIFS Research Estimates

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