

Huhtamaki India Ltd

Growth in sight, Valuations attractive, Maintain BUY

Huhtamaki's Q3CY25 performance was better than our estimates as sales mix improved leading to better operating margins. Revenue declined YoY by ~4% but grew by 2% QoQ as lower volumes impacted sales, although realizations improved as contribution from premium product like blueloop increased during the quarter. Sluggish urban demand impacted FMCG volumes coupled with monsoon effect led to muted topline. Gross margins expanded by 367bps YoY but dipped slightly by 56bps QoQ to ~34% in Q3CY25. Employee cost has some one-off to the tune of Rs40-50mn, adjusting for the same, EBITDA grew by ~179% YoY & by ~18.5% QoQ largely because of cost efficiency measures & better product mix. The recent GST rate cut could provide some respite against muted demand, but it remains wait and watch on the consumer behaviour. 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 the next 5-6 years. The current stock price factors in most of the negatives and can be a good accumulation point for investors for the long term. We maintain our BUY rating on the stock, ascribing 16x on June 27E EPS of Rs 20 per share.

Revenue grew QoQ; EBITDA margins expanded because of operational efficiencies & better product mix

- The company's Q3CY25 revenue declined YoY by ~4% but grew by slight 2% QoQ. Lower sales volumes were due to weak demand from urban market, monsoon pressures & uncertainty owing to GST rate cut. 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.
- Adjusting for one-off of Rs40-50mn, employee cost grew by ~1.4% YoY but dipped by ~8.6% QoQ to Rs651mn and stood at ~10.4% of sales in Q3CY25 as compared to ~11.6% in Q2CY25, while other expenses declined by ~16% YoY and ~1% QoQ to Rs961mn.
- Adjusted EBITDA margin expanded by 531bps YoY and 112bps QoQ to ~8.1% in Q3CY25 led by improved product mix & better operational efficiencies.
- The interest cost declined by ~40% YoY & ~5% QoQ to ~Rs29mn while the depreciation expenses grew by 5% YoY but declined by ~2% QoQ to Rs128mn.

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

- The stock is trading at ~11.5x with an EPS of ~Rs20 per share as of Jun'27E. We are maintaining our multiple of 16x as further sales mix & better operational efficiencies are in sight & thereby arrive at target price of Rs 320 per share, upside of ~41% 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 current stock price has factored in most of the negatives.
- Thus, we maintain our **BUY** rating on the stock.

Y/E Mar (Rs mn)	Q3CY25	Q3CY24	YoY (%)	Q2FY25	QoQ (%)	Q3CY25E	Var. (%)
Total Income	6,247	6,525	-4.3	6,122	2.0	6,153	1.5
Operating expense	5,693	6,344	-10.3	5,696	-0.1		
EBITDA	555	181	206.9	426	30.3	434	27.8
EBITDA Margin (%)	8.9	2.8	611 bps	7.0	192 bps	7.1	183 bps
Depreciation	128	122	5.1	131	-2.1		
Interest	29	48	-39.8	31	-5.2		
Other Income	94	133	-29.1	67	40.7		
Exceptional item	-	15	-100.0	3	-100.0		
PBT	492	158	210.2	334	47.2		
Tax	124	41	199.5	85	46.6		
Effective Tax Rate (%)	25.2	26.1	-90 bps	25.3	-11 bps		
Reported PAT	368	117	214.0	249	47.4		
Adjusted PAT	368	106	248.1	247	48.7	258	42.5

Source: Company, SMIFS Research

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	Adj 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	24,834	-1.5	1,805	7.3	1,135	75.2	15.0	9.1	8.9	15.2	9.0
CY26E	26,324	6.0	2,172	8.3	1,383	21.9	18.3	10.2	10.0	12.4	6.9
CY27E	28,166	7.0	2,519	8.9	1,642	18.7	21.7	11.0	10.7	10.5	5.6

Source: Company, SMIFS Research Estimates



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Rating: BUY	Return: 41%
Current Price: 228	Target Price: 320

Earlier recommendation

Previous Rating:	BUY
Previous Target Price:	348

Source: SMIFS Research

Market data

Bloomberg:	HUIN IN
52-week H/L (Rs):	400 / 170
Mcap (Rs bn/USD bn):	17.3 / 0.2
Shares outstanding (mn):	75.5
Free float:	31.8%
Daily vol. (3M Avg.):	0.20mn
Face Value (Rs):	2

Shareholding pattern (%)

	Sep-25*	Jun-25	Mar-25	Dec-24
Promoter	NA	67.7	67.7	67.7
FII	NA	1.1	1.2	1.2
DII	NA	0.6	1.1	1.3
Public/others	NA	30.6	30.0	29.8

Pro. Pledging

Pledging	-	-	-	-
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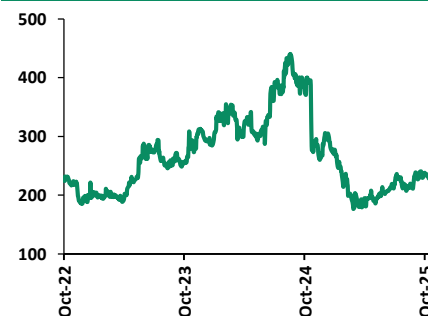
Source: BSE *data not released on BSE.

Price performance (%) *

	1M	3M	12M	36M
NIFTY 50	1.0	0.5	1.1	47.4
NIFTY 500	0.7	-0.3	-1.5	57.8
Huhtamaki	-0.5	-1.2	-41.7	-0.4

*as on 15th Oct, 25; 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 Q3CY25, 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 on QoQ due to challenges faced like muted customer sentiments and weaker urban demand. Also, monsoon related disruption, inflationary pressure dampened the demand sentiment.
- Recent GST rate cut might provide some fillip to flexible packaging as customers might opt for better packaging products with different colours which could improve volumes for Huhtamaki & overall industry.
- **Capacity Utilization levels:** As on Q3CY25 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 foresee 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.

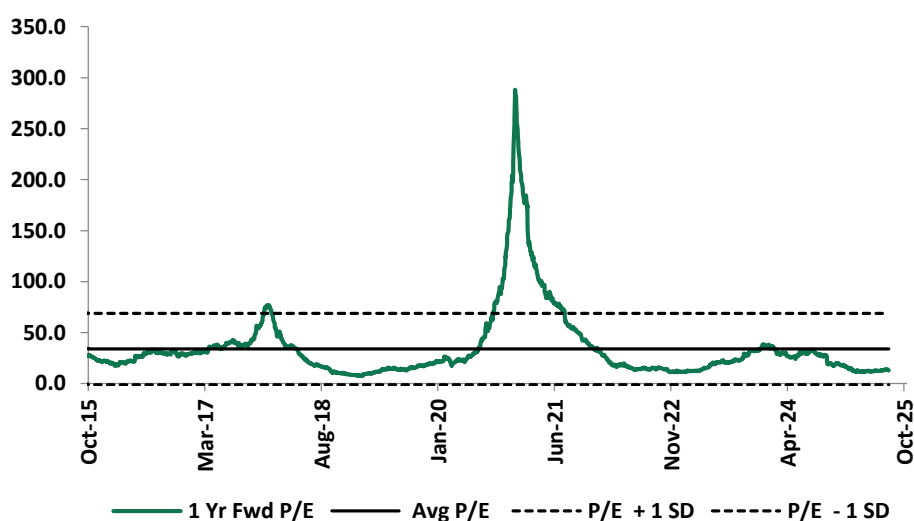
Valuation and Recommendations

The stock is trading at ~11.5x with an EPS of ~Rs20 per share as on June 27E. We are maintaining our target multiple of 16x due to better sales mix in sight & visibility of better operational efficiencies & thereby arrive at target price of Rs 320 per share which is an upside of ~41% from current valuations.

We have visibility of volume growth led by GST rate cut, strong balance sheet, cost optimization benefits & leveraging its blueloop brand which will increase its premium portfolio. The stock price has 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)	Q4CY23	Q1CY24	Q2CY24	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25
Net sales	6037	6101	6395	6525	6191	6099	6122	6247
Cost of goods sold	3978	4047	4430	4554	4367	4026	4015	4131
Gross Profit	2059	2054	1965	1971	1825	2073	2108	2116
Employee Cost	630	617	653	642	631	674	712	601
Other Expenses	852	1027	992	1148	931	1012	970	961
EBITDA	577	411	320	181	262	387	426	555
Depreciation	112	95	120	122	138	127	131	128
Interest cost	62	48	50	48	30	30	31	29
Other Income	41	83	63	133	58	110	67	94
PBT Before Exceptional items	444	351	213	143	152	341	331	492
Exceptional item	3717	0	295	15	-1	7	3	0
PBT	4160	351	508	158	151	347	334	492
Tax	886	91	123	41	34	86	85	124
<i>Tax rate (%)</i>	21.3	25.8	24.2	26.1	22.5	24.7	25.3	25.2
Reported PAT	3274	260	385	117	117	262	249	368
Adjusted PAT	349	260	164	106	118	256	247	368
EPS (In Rs)	43.4	3.4	5.1	1.6	1.5	3.5	3.3	4.9
Adj EPS (In Rs)	4.6	3.4	2.2	1.4	1.6	3.4	3.3	4.9
YoY Growth (%)								
Revenue	-12.8	-7.8	2.9	-1.5	2.5	0.0	-4.3	-4.3
EBITDA	18.1	-19.9	-20.0	-60.5	-54.5	-5.7	33.3	206.9
Adj. PAT	107.4	-26.7	2.4	-67.3	-66.2	-1.5	50.5	248.1
QoQ Growth (%)								
Revenue	-8.9	1.1	4.8	2.0	-5.1	-1.5	0.4	2.0
EBITDA	26.2	-28.9	-22.1	-43.4	45.1	47.6	10.0	30.3
Adj. PAT	8.2	-25.5	-36.9	-35.7	11.7	117.4	-3.6	48.7
Margin (%)								
Gross Profit	34.1	33.7	30.7	30.2	29.5	34.0	34.4	33.9
EBITDA	9.6	6.7	5.0	2.8	4.2	6.3	7.0	8.9
Adj. PAT	5.8	4.3	2.6	1.6	1.9	4.2	4.0	5.9

Source: Company, SMIFS Research

Fig 3: Key Performance Indicators

	New Estimates			Old Estimates			Change (%)		
	CY25E	CY26E	CY27E	CY25E	CY26E	CY27E	CY25E	CY26E	CY27E
Revenue	24834	26324	28166	26745	28488	30512	-7.1%	-7.6%	-7.7%
EBITDA	1805	2172	2519	1618	2303	2770	11.6%	-5.7%	-9.0%
EBITDA Margin	7.3%	8.3%	8.9%	6.0%	8.1%	9.1%	122 bps	17 bps	(13) bps
PAT	1135	1383	1642	1006	1475	1814	12.9%	-6.2%	-9.5%
EPS (Rs)	15.0	18.3	21.7	13.3	19.5	24.0	13.0%	-6.1%	-9.4%

Source: Company, SMIFS Research Estimates.

- We are lowering our topline estimates by ~7% & ~8% for CY25E & CY26E factoring slower than earlier anticipated pickup of demand & volumes.
- We are inching up EBITDA for CY25E as operational efficiencies benefit EBITDA but cut CY26E & CY27E EBITDA estimates mostly due to sales cut.

Financial Statements

Income Statement					
YE March (Rs mn)	CY23	CY24	CY25E	CY26E	CY27E
Revenues	25,494	25,212	24,834	26,324	28,166
Raw Materials	17,367	17,398	16,390	17,242	18,252
% of sales	68.1	69.0	66.0	65.5	64.8
Employee Cost	2,555	2,542	2,714	2,882	3,058
% of sales	10.0	10.1	10.9	10.9	10.9
Other Expenses	3,626	4,098	3,924	4,028	4,338
% of sales	14.2	16.3	15.8	15.3	15.4
EBITDA	1,947	1,173	1,805	2,172	2,519
Other Income	155	337	358	338	385
Depreciation	492	475	514	578	666
EBIT	1,610	1,035	1,649	1,932	2,239
Finance cost	305	175	115	75	35
Core PBT	1,150	523	1,177	1,519	1,819
Exceptional Items	3,695	309	16	-	-
PBT	5,000	1,168	1,518	1,857	2,204
Tax-Total	904	289	403	474	562
Tax Rate (%) - Total	18.1	24.7	26.5	25.5	25.5
Reported PAT	4,096	880	1,115	1,383	1,642
Adjusted PAT	1,325	648	1,135	1,383	1,642

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	CY23	CY24	CY25E	CY26E	CY27E
Growth Ratio (%)					
Revenue	-14.5	-1.1	-1.5	6.0	7.0
EBITDA	24.0	-39.7	53.9	20.3	16.0
Adjusted PAT	166.9	-51.1	75.2	21.9	18.7
Margin Ratios (%)					
Gross Profit	31.9	31.0	34.0	34.5	35.2
EBITDA	7.6	4.7	7.3	8.3	8.9
EBIT	6.3	4.1	6.6	7.3	7.9
Core PBT	4.5	2.1	4.7	5.8	6.5
PBT	19.6	4.6	6.1	7.1	7.8
Adjusted PAT	5.2	2.6	4.6	5.3	5.8
Return Ratios (%)					
ROE	13.9	5.5	9.1	10.2	11.0
ROCE	10.3	5.7	8.9	10.0	10.7
Turnover Ratios (days)					
Gross Block Turnover (x)	2.7	2.4	2.2	2.1	2.1
Adj OCF/Adj PAT (%)	181	183	23	120	99
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	-0.2	-0.2
Gross Debt/EBITDA	1.3	1.3	0.6	0.4	0.2
Current Ratio	2.2	2.2	2.5	2.5	2.6
Interest coverage ratio	5.3	5.9	14.3	25.8	64.1
Dividend					
DPS	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	13.3	10.9	9.2
Per share Ratios (Rs)					
Basic EPS (reported)	54.2	11.7	15.2	18.3	21.7
Adjusted EPS	17.5	8.6	15.0	18.3	21.7
CEPS	24.1	14.9	21.8	26.0	30.6
BV	152.3	158.0	171.2	187.6	207.3
Valuation (x)*					
Adj P/E	14.2	39.6	15.2	12.4	10.5
P/BV	1.6	2.2	1.3	1.2	1.1
EV/EBITDA	9.0	20.4	9.0	6.9	5.6
EV/Sales	0.7	0.9	0.7	0.6	0.5
Adj Market Cap /Core PBT	12.9	42.9	12.9	9.4	7.4
Adj Market Cap /Adj OCF	6.2	18.9	58.2	8.6	8.3

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	CY23	CY24	CY25E	CY26E	CY27E
Source of funds					
Share Capital	151	151	151	151	151
Reserves & Surplus	11,354	11,784	12,781	14,013	15,504
Shareholders' Funds	11,505	11,936	12,932	14,164	15,655
Total Loan Funds	2,546	1,487	997	797	597
Other Liabilities	184	237	290	247	286
Total Liabilities	14,234	13,659	14,218	15,209	16,538
Application of funds					
Gross Block	9,621	11,025	11,835	12,885	13,555
Net Block	4,208	5,352	5,860	5,920	6,135
Capital WIP	1,311	403	662	710	751
Quasi cash investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Other Non-Current Assets	1,883	1,719	1,378	1,439	1,463
Inventories	2,699	2,502	2,644	2,781	2,944
Sundry Debtors	5,510	5,704	6,256	6,395	6,811
Cash & Bank Balance	3,120	1,760	857	1,817	2,557
Current Investments	797	1,515	1,165	1,165	1,165
Other current assets	480	416	618	528	577
Total Current Assets	12,607	11,897	11,539	12,686	14,054
Sundry Creditors	4,675	4,779	4,313	4,537	4,803
Other current liabilities	1,101	933	908	1,008	1,063
Total Current Liabilities	5,776	5,711	5,221	5,545	5,866
Net Current Assets	6,831	6,186	6,318	7,140	8,188
Total Assets	14,234	13,659	14,218	15,209	16,538

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	CY23	CY24	CY25E	CY26E	CY27E
Operating profit before WC changes	1,775	1,471	1,821	2,172	2,519
Net changes in working capital	1,226	-92	-1,042	35	-294
Tax Paid	-265	45	-403	-474	-562
Cash flow from operating activities	2,736	1,423	376	1,734	1,663
Adj. OCF	2,404	1,188	261	1,659	1,628
Capital expenditure	-911	-617	-1,280	-900	-500
Adj FCF	1,492	572	-1,019	759	1,128
Cash flow from investing activities	398	-769	-573	-348	-537
Debt	-1,631	-1,000	-440	-200	-200
Dividend	-152	-378	-151	-151	-151
Interest and Lease	-332	-235	-115	-75	-35
Cash flow from financing activities	-2,115	-1,613	-706	-426	-386
Net change in cash	1,019	-958	-903	960	740

Source: Company, SMIFS Research Estimates

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