

Price: 196

Recommendation: Buy

Industry: Packaging

Sector: Industrials

Report Date: 03-Apr-2025

Huhtamaki India Limited is focusing on growth through safety, sustainability, and customer-centric strategies. Key initiatives include the "blueloop" project for innovative, sustainable solutions, and backward integration to improve margins. Despite challenges like raw material inflation, the company aims to enhance financial performance without major capital expenditures in 2025. Export growth and product diversification are priorities, with a focus on sustainability and innovation for long-term success.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2521 Cr	Operating Profit(Year)	117 Cr	Operating Profit Margin	4.65 %
Previous Year	2549 Cr	Operating Profit(Quarter)	26.2 Cr	EBITDA Margin	5.99 %
Current Quarter	619 Cr	PAT (Year)	64.7 Cr	Net Profit Margin	2.57 %
Previous Quarter	652 Cr	PAT (Quarter)	11.8 Cr	EPS	11.6
Revenue (QYoY)	604 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	22.8	Sales Growth	-1.11 %	Sales Growth	-5.06 %
PEG Ratio	-1.36	PAT Growth	-47.82 %	Sales Growth QYoY	2.48 %
EV/EBITDA	9.58	EPS Growth	0.0 %	PAT Growth	10.28 %
P/B	1.24	Dividend Yield	2.55	PAT Growth QYoY	-66.19 %
Capital Allocation		Holdings		Leverage	
RoE	5.52 %	Promoter	67.7 %	Debt/Equity	0.12
RoA	3.29 %	FII	1.19 %	Debt	149 Cr
RoCE	7.54 %	DII	1.28 %	Market Cap	1474 Cr
RoIC	6.41 %	Public	29.8 %	Enterprise value	1447 Cr
		No of Shares	7.55 Cr	Cash Equivalents	176 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Huhtamaki India Limited discussed several new initiatives and strategies aimed at addressing current challenges and positioning the company for future growth. The company is focusing on enhancing its safety performance, sustainability, and customer-centric environment. A key initiative is the "blueloop" project, which aims to provide innovative and sustainable solutions to customers. This involves a shift from multilayer to monolayer and bilayer structures, which, although more costly, are expected to simplify supply chains and offer end-to-end manufacturing capabilities. The company is also working on backward integration to improve margins and reduce costs over time.

The company's business strategies include maintaining operational efficiency and leveraging technology-enabled innovations. Despite a challenging year with raw material inflation and adverse sales and product mix impacting margins, Huhtamaki is committed to improving its financial performance. The company is not planning any major capital expenditures in 2025 but will continue to invest in maintaining and optimizing its operations across its ten plants. The focus remains on providing value through sustainable packaging solutions and enhancing corporate governance and stakeholder engagement.

Huhtamaki's diversification schemes are centered around expanding its blueloop product line and increasing its export share. The company aims to increase the contribution of blueloop products, which currently account for 27.5% of sales, by focusing on high-premium product replacements that offer better margins. The export market is seen as a significant growth area, with plans to increase the export share from the current 30% to potentially 45% in the future. This is supported by a favorable external environment, forex benefits, and coordinated efforts with regional teams in Southeast Asia, Africa, EMEA, and Europe.

Looking ahead, Huhtamaki is optimistic about its growth and scaling prospects. The company anticipates a gradual improvement in margins as the adoption of blueloop products increases and as it continues to optimize its product mix. The focus on sustainability and innovation is expected to drive long-term growth, with the company aiming to meet its 2030 sustainability targets. However, challenges remain, including inflationary pressures and competition in the domestic market. The company acknowledges the need for regulatory changes to accelerate the adoption of sustainable products in India. Overall, Huhtamaki is committed to navigating these challenges and capitalizing on opportunities for responsible and profitable growth.

HUHTAMAKI Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Inox India	9221.57	46.30	32.71%	8.83%	14.77%	7.01%	8.99%
Garware Hi Tech	7442.11	23.91	10.43%	-24.85%	2.81%	-41.67%	8.82%
EPL Ltd	6085.96	20.51	12.28%	-6.62%	4.02%	7.47%	8.59%
AGI Greenpac	4998.16	17.21	14.51%	9.90%	5.75%	25.58%	34.86%
TCPL Packaging	3970.39	29.39	21.40%	4.35%	29.11%	6.70%	83.79%

Aspect	Commentary
Revenue	The company's revenue shows a slight decline from the previous year, indicating potential challenges in maintaining sales momentum. However, the quarterly comparison suggests a minor recovery, which could be attributed to seasonal factors or strategic initiatives aimed at boosting sales.
Profit & Loss	Operating profit and PAT figures reflect a challenging environment, with year-on-year declines. The quarterly improvement in PAT suggests cost management efforts are yielding results, but overall profitability remains under pressure, necessitating strategic adjustments.
Profitability Matrix	Profitability metrics indicate tight margins, with operating and net profit margins reflecting cost pressures. The EPS remains stable, suggesting consistent earnings per share despite external challenges. Focus on margin improvement is crucial for future growth.
Valuation Matrix	Valuation ratios suggest the company is moderately valued, with a trailing P/E indicating market expectations of future earnings growth. The negative PEG ratio highlights potential growth concerns, while EV/EBITDA and P/B ratios suggest reasonable valuation levels.
Growth (YoY)	Year-on-year growth metrics highlight significant challenges, with declines in sales and PAT. The stable EPS growth indicates resilience in earnings per share, but overall growth strategies need reevaluation to address declining sales and profitability.
Growth (QoQ)	Quarter-on-quarter growth shows mixed results, with sales declining but PAT improving. The positive PAT growth suggests effective cost control, while sales growth challenges indicate the need for strategic initiatives to drive revenue in upcoming quarters.
Capital Allocation	Capital allocation metrics reflect a conservative approach, with moderate returns on equity and assets. The focus on optimizing capital efficiency is evident, but enhancing returns through strategic investments and operational improvements remains a priority.
Holdings	The company's shareholding pattern shows strong promoter confidence with significant holdings. Limited FII and DII participation suggest potential for increased institutional interest, while public holding indicates a diverse investor base supporting market stability.
Leverage	Leverage metrics indicate a low debt profile, with a favorable debt-to-equity ratio. This conservative leverage approach provides financial flexibility, allowing the company to navigate economic uncertainties and invest in growth opportunities without significant risk.

Analyst viewpoint: Our analysis suggests a bullish outlook for Huhtamaki India Limited in the short to mid-term, buoyed by their strategic initiatives and operational efficiency. Key factors include their recent quarter-on-quarter PAT growth of 10.28%, which indicates effective cost management and resilience amidst external challenges. The "blueloop" project and backward integration are significant steps, expected to simplify the supply chain and enhance margins. Despite the 5.06% decline in sales QoQ, the company's ongoing shift towards sustainable solutions and product diversification bolsters its competitive edge. The valuation metrics are reasonable, with a P/E of 22.8 and a conservative debt-to-equity ratio of 0.12, providing financial flexibility for future growth. With strategic investments in sustainability and market expansion, particularly increasing export share from 30% to a potential 45%, Huhtamaki is poised to capture new opportunities and drive market penetration.

While these moves position Huhtamaki favorably within the packaging industry, it's essential to acknowledge the mild challenge of domestic competition and inflationary pressures which could impact margins temporarily. Nonetheless, supported by a solid RoE of 5.52% and an ongoing commitment to innovation and sustainable practices, Huhtamaki's long-term growth prospects remain robust. The management's clear focus on fiscal prudence, coupled with a promising product mix pivot, signals strong potential for value creation, aligning with their 2030 sustainability objectives and ensuring they stay ahead of industry trends.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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