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February 19, 2025

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The National Stock Exchange of India Ltd  
Exchange Plaza, Plot No. C/1, G Block  
Bandra Kurla Complex,  
Bandra East, Mumbai 400 051  
Trading Symbol:- TCPLPACK

Dear Sir(s),

**Re:- Transcript of the Q3 & 9M FY2025 Results Conference Call**

With reference to the aforesaid subject, attached is transcripts of the conference call held on February 17, 2025, with the Investors and Analysts.

The aforesaid information is also available on the website of the Company at [www.tcpl.in](http://www.tcpl.in).

Kindly take the same on record and acknowledge the receipt.

Thanking You

For **TCPL Packaging Limited**

Compliance Officer



## TCPL Packaging Limited

### Q3 & 9M FY25 Earnings Conference Call Transcript

February 17, 2025

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**Moderator:** Ladies and gentlemen, good day, and welcome to TCPL Packaging Limited Earnings Conference Call. 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. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jenny Rose from CDR India. Thank you, and over to you, Ms. Rose.

**Jenny Rose:** Good afternoon, everyone, and thank you for joining us on TCPL Packaging's Q3 and 9M FY25 Earnings Conference Call.

We have with us today Mr. Akshay and Vidur Kanoria – Executive Directors; and Mr. Jitendra Jain – Chief Financial Officer of the Company.

We would like to begin the call with brief opening remarks from the management, following which we will have the forum open for an interactive question-and-answer session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the results presentation shared with you earlier.

I would now like to invite Akshay Kanoria to make his opening remarks. Over to you, Akshay.

**Akshay Kanoria:** Thank you. Good afternoon everyone and thank you all for joining us on our earnings call. I will initiate the call by taking you through our business highlights for the period under review, after which we will open the forum to a Q&A session.

We are pleased to share that we have achieved yet another record quarter, driven by the solid performance of our core segments – paperboard and flexible packaging. Both segments have benefited from a favorable product mix, operational efficiencies and a continually expanding customer base. In addition, after a weak corresponding quarter last year, we have bounced back strongly, resulting in significant year-on-year growth. On a sequential basis, growth has remained healthy, highlighting sustained business progress.

For this quarter, our consolidated revenues grew by 32% year-on-year, reaching Rs. 480 crore. Our EBITDA grew by 29%, reaching Rs. 71 crore, with margins steady

at 15%. Our PBT grew 71% to Rs. 48 crore, while both PAT and cash profits posted strong growth of 101% and 46% on a year-on-year basis, respectively.

Our flexible packaging segment continues to perform exceptionally well in the domestic market supported by robust demand across key end-user industries. Additionally, better utilization of our newly commissioned line has contributed to growth, further enhancing operational efficiency. At the same time, our core paperboard packaging segment has recorded stable growth domestically, along with stronger performance in international markets. This broad-based momentum, coupled with our focus on operational efficiencies and product innovation, has enabled us to deliver solid results. With domestic trends expected to improve further in the coming quarters, we are confident in maintaining our long-term growth trajectory.

Moving on to key developments, we are excited to announce our exclusive manufacturing agreement with Ventit, a pioneer and patent holder in ventilated pizza box technology. This collaboration will enhance our presence in the fast-growing food packaging and food delivery segment by introducing an innovative, value-added product. Ventit's patented die-cut vent technology allows steam to escape while retaining heat, ensuring that pizza, garlic bread and other dry food items maintain their optimal quality even through long-distance transportation. This solution will initially cater to premium pizza outlets in Mumbai, Delhi, Goa, etc., with plans for a nationwide rollout driven by demand from national QSR and food delivery chains.

We are also pleased to welcome Mr. Aniket Talati to our Board as an Independent Director. Mr. Talati is a Senior Partner at Talati & Talati LLP and has served as the President of the Institute of Chartered Accountants of India (ICAI) for 2023-24. With his expertise in finance, regulation, digital transformation and sustainability, he will be an invaluable addition to our leadership team. He also holds prominent roles on several prestigious boards, including the Government Accounting Standards Advisory Board (GASAB) and the Insurance Regulatory and Development Authority of India (IRDAI). His experience will help guide TCPL's strategic direction and strengthen our governance framework.

Lastly, we are proud to share that TCPL has received five prestigious awards at the Indian Flexible Packaging and Folding Carton Manufacturers Association (IFCA) Awards 2024, recognizing our excellence in packaging design across both flexible and folding carton packaging categories. These accolades celebrate the creativity, functionality and innovation behind our award-winning SKUs for customers and brands including Bellavita, Dark Fantasy, Olivia, Kido and Aquatic Science Pouch. This achievement is a testament to the expertise of our R&D team in developing cutting-edge packaging solutions and it further strengthens our position as one of India's leading producers of sustainable packaging solutions.

Additionally, my grandfather, Mr. K. K. Kanoria, the Chairman of TCPL, was honored with the Hurun Award for the "Most Respected Entrepreneur and Leader in Sustainable Packaging", reinforcing our commitment to sustainable innovation and environmental responsibility.

And finally, to conclude, we are excited about the completion of our Greenfield facility near Chennai, which is dedicated to manufacturing paperboard cartons and set to be commissioned in the current quarter. This expansion will enhance our logistics and service capabilities, strategically positioning us to serve key industrial hubs across the region and further accelerate our growth. It also represents a significant milestone in our long-term growth strategy.

We remain focused on driving sustainable growth, expanding our capabilities and capitalizing on emerging opportunities. With a strong foundation in innovation, strategic investments, and a commitment to sustainability, we are confident in our ability to create long-term value for all our stakeholders. Thank you for your continued support.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Nishant Bagrecha from InCred Capital.

**Nishant Bagrecha:** Congratulations to the team for a very strong delivery this quarter. So, firstly on the growth part in the domestic business front. I just wanted to know what the volume or pricing-led growth was that we saw this quarter, like how Godfrey-Phillips posted strong volume growth again this quarter. Did we see some benefit in our folding carton segment from this particular client?

**Akshay Kanoria:** We had a healthy volume growth even in the domestic segment in this quarter. I mean, we don't share the breakup and exact numbers, but it was very encouraging and better than the market, I would say. But obviously, last year, same quarter was a very bad quarter. I mean, we had a degrowth. So, compared to that, certainly, I mean, there is a base effect. But generally speaking, we had a pretty good quarter.

**Nishant Bagrecha:** Secondly, we have delivered a very strong export growth this quarter as well. So, what was this led by? Again, is this some new client addition or new geographic expansion? Again, which categories are you seeing better growth here?

**Akshay Kanoria:** So, again, without getting into too many specifics, I will just say that no significant new geography or client addition as such in this quarter compared to any other quarter, but it's an overall improvement in our export performance.

**Nishant Bagrecha:** Okay. So, we expect this momentum to continue, particularly in the export market.

**Akshay Kanoria:** Yes. So, obviously I can't guide for like any rate of growth or something, but performance has been quite consistent last few quarters or last several quarters. And we hope to continue.

**Nishant Bagrecha:** Okay. And lastly, on this new foray into the pizza boxes, so what kind of revenue potential do we see from this? And which facility will this production take place in?

**Akshay Kanoria:** So, basically, this is a specialty pizza box technology. Essentially, it is meant to solve for the issue which, you know, you may be having, but you don't really realize it is when you get pizza on a food delivery after 20-30 minutes in the bike, by the time it arrives at your house, it tends to get soggy, and it also tends to get cold. So, this addresses to a great extent that challenge. So, even today they are already working with some of the small, very premium pizza outlets all over the country. And now that time has come to scale up because the food delivery, home delivery, pizza have really taken off. And I think now it is a very large chunk of the market. So, we are starting with some of the medium range pizza chains, you know, like the slightly higher priced guys and helping them to expand Pan India. So, this will not be any one particular region or geography. That's the kind of advantage we are bringing because we have factories Pan India. So, we can deliver to these national chains and depots pan-India where Ventit was not able to do that. So, that's why they came to us. And together we are approaching even the larger chains. But there is an on cost on the box. So, you know, it's really up to that brand, whether they want to take that hit in exchange for better quality. So, we are hoping that as the mid-market kind of shifts to this technology, even the mass market guys will be pressured to follow. And it is a superior

technology. There is a significant improvement in the temperature and the taste of the product when it's packaged in a Ventit box versus a traditional pizza box.

**Nishant Bagrecha:** Okay. So, how are the margins versus the core folding cartons here?

**Akshay Kanoria:** This, I can't comment. It is customer-specific and job-specific. It's a new product for us. We are just starting. So, I can't comment. But it's a good addition to our basket. And even if it doesn't yield as much as we hope for in terms of business, it certainly gives us an in with these large chains to sell our other packaging as well. So, it's good technology to have in our belt.

**Nishant Bagrecha:** Okay. And lastly, like how we added pizza boxes this quarter, so do we plan to enter any other segment going forward, particularly in the QSR segment?

**Akshay Kanoria:** See, we are, at any point of time, there are 5 or 10 different projects that we work on. Out of that, one, two, three, maybe get commercialized. And we are very picky. But we are always working and traveling and trying to find new technology to bring to the market. So, this is an ongoing endeavor. When something pans out or doesn't pan out, those things are sometimes not in our hands.

**Moderator:** The next question is from the line of Monish Ghodke from HDFC Mutual Fund.

**Monish Ghodke:** So, if we see the packaging board prices, the raw material prices are quite low. I mean, there is a price correction in paper and paper board. So, does it act as a tailwind or headwind for us when the RM prices are low? And what kind of impact does this have on our margins?

**Akshay Kanoria:** Yes, so these prices being low or high do help on a short-term basis, I would say. Largely, we get a pass-through or we have to give a pass-through to customers. So, it's a temporary effect, if anything, and our business is quite agnostic on the raw material price because we pass-through the raw material price increase or decrease. Now obviously to what extent we pass-through, or we can get away with not passing through depends a lot on market conditions, supply and demand in our end-use industry. But any effect is usually temporary, whether we see an upside or downside.

**Monish Ghodke:** I understand you don't share volume or guidance, anything, but what kind of growth should we assume? I mean, what is your capacity utilization as of now? And on a, let's say, two to three-year basis, what kind of growth in volume or in value terms we should assume? And in terms of margins, should we continue to expect these similar margins?

**Akshay Kanoria:** So, last question first. The margins are dependent on obviously the raw material pricing, etc. But they are also dependent on the product mix. Flexible packaging tends to be a lower margin business, but you get a similar return on capital because it's a higher asset turn. As that grows, to that extent, margin can come down a little bit, but effectively it's the same thing. And as far as the capacity utilization is concerned, we are at about 80% plus kind of level. Now we are just adding Chennai, and we just added some capacity in Goa. In the coming year, we have a few capex plans, but broadly, 80% plus sort of level. We have still some headroom for further growth, no problem. And as far as any guidance is concerned, I mean, yes. You said it at the start, we don't give. But we really target just continuing our long-term average growth rate. And what is our growth dependent on – To a great extent, it is dependent on market growth, that is our end-use segment, which is the consumer product demand. Consumer demand has been a little bit weak in India the last few years. And the growth rate has been in a very low single digit. We have grown, thanks to the diversification of product mix, flexible packaging, export, new geographical addition,



which is continuing. But obviously, this domestic market growth, we are really banking on that coming back in a bigger way. Now with this new tax cut in the budget and hopefully inflation seems to be moderating somewhat, so, these two factors, I think, should help with driving further consumer demand growth, which is positive for our industry.

**Moderator:** The next question is from the line of Nitish Rege from ChrysCapital.

**Nitish Rege:** While Y-o-Y margins have remained flat, just wanted to understand the reason behind the decline in EBITDA margin on a quarter-on-quarter level. Is it because of mix or flexible being a higher share or pricing?

**Akshay Kanoria:** So, again, looking at it quarter-on-quarter is a bit misleading, but a little bit of everything. First of all, Q2 is typically always best quarter because we have the festive season demand boost, which helps the business. And secondly, yes, the flexible packaging performance was a bit better than usual in the Q3. So, that has brought down the total margin. Pretty much these two factors only I would point to. I mean, there is not really anything very significant that's changed apart from that.

**Nitish Rege:** Got it. And could you give an update on Creative? What's the current revenue run rate? Have you onboarded any new customers? And, you know, the earlier customers which we had onboarded, how have they scaled up?

**Akshay Kanoria:** Before I get to that, one thing I would point out is that if you look at a nine-month to nine-month comparison, the margin is pretty much the same. Like, there is not any much change. It's just this quarter-on-quarter it goes up and down a little but if you look at it on an overall basis, it's pretty much the same. As far as Creative is concerned, we are adding new customers, no doubt. This electronics industry has seen a lot of swinging, up and down in the last two years. If you see, a big part of our optimism was driven by the large explosion of this wearables industry, like the smart watches and the headphones, which really took off in India last couple of years. But that has really moderated last year. You know, the industry has actually had a negative growth in 2024, which was a very significant headwind. And there has been a shift in the segment, if you look at the value, even the electronics value growth is still there, but volume growth is not there because people are moving upwards in the smartphone value chain. But that's not helping in terms of volume. So, these are two headwinds that we have faced in the last one year. However, we are seeing increasing traction in the consumer product business with high value-added packaging becoming more and more the norm. We have penetrated into this perfumes, cosmetics category. So, there we are quite optimistic. So overall, we have grown in high double digit, but not high enough. And we hope to continue a high double-digit growth in Creative. And as far as the profitability is concerned, it's mainly constrained by the low base of revenue, which again, through the growth, I think will get corrected. But it's a low sort of drag on the overall company. So, we are hoping it will improve and become a contributor in the coming year.

**Nitish Rege:** And any guidance on the current revenue run rate?

**Akshay Kanoria:** No guidance as such, but I think this year we should do about Rs. 50-odd crore. So, in the coming year we hope to definitely increase that in very high double-digit rate, but dependent on the market, of course.

**Moderator:** The next question is from the line of Harsh Shah from Bandhan AMC.

**Harsh Shah:** The first question is on your capex initiatives. Could you talk more about it? As in, now that the Chennai plant is onstream, what do you envisage over next 12 to 15

months, both in terms of how much capacity are you planning to add and what would be the quantum of capex?

**Akshay Kanoria:** Yes. So, see we have over 20 printing lines today. And Chennai is going to start with one printing line. So, on the overall capacity, we will be adding less than 10% to the overall capacity. But that plant has a lot of room for further growth. So, as the market over there picks up and we are able to fill up that capacity, there is a lot of room for further growth. And the new capex that will come there will not be so onerous because the fixed component like the utilities and the building work and all of that is already sort of taken care of. So, further capacity over there will come very quickly and much cheaper. As far as the rest of the company is concerned, in the past year we have invested significantly in increasing our factory area in couple of our plants. That has taken up a fair bit of cash. And we have also expanded our capacity in one or two of our plants. In our flexible packaging plant also, we are expanding the room, and we are putting new generation of sustainable boilers to lessen our carbon footprint and also expand the room in the factory. We are also doing some further expansion in ancillary segment, which we will declare soon. And yes, these are the basic capacity additions that we have done in the last year. As far as the coming year is concerned, this new capex, which I alluded to, that will get completed. And we will also have couple of more announcements hopefully to make in the coming months where we are planning few new investments. As far as the folding carton business is concerned, now we are pan-India, we have reach all over. So, basis the utilization at any particular point of time, we can add capacity without too much of a lead time because we have the space. So, we just have to sort of plug in the machinery.

**Harsh Shah:** What do you mean, when you say ancillary? Any capex to put up in ancillary?

**Akshay Kanoria:** We will get into that in the coming quarter I think.

**Harsh Shah:** It's something planned, but something you didn't announce as of now.

**Akshay Kanoria:** Yes.

**Harsh Shah:** Got it. And regarding the quantum, could you provide an estimate of what is budgeted in terms of capex for, let's say, FY26?

**Akshay Kanoria:** So, FY25, we have got a spend of about Rs.150 odd crore for the whole year. And FY26 budget has not been finalized yet because a couple of these projects are still in the planning stage. Once we have some more flesh on it, we will come back to you.

**Harsh Shah:** Okay, got it. And this flexi-packaging space in terms of Innofilms, where we had some teething issues, I think, last year in terms of getting the machinery up and running, where are we? What's the progress there?

**Akshay Kanoria:** Yes, so Innofilms we merged into flexible packaging segment, I mean, into the company only. So, now that doesn't get reported separately, but the performance has improved, and we are quite optimistic on the output.

**Harsh Shah:** I mean, would achieving some of the growth attributable to Innofilms?

**Akshay Kanoria:** Not much. It's general organic market growth. But this Innofilms is a very positive thing for customers. So, whenever we are trying to get into new customers, this is like a marketing tool, which helps us even if they don't really take any much output out of it. But customers want to have the possibility of this sustainable solution. So, you know, in the last couple of years since COVID, this whole sustainability story has sort of taken a backseat to just generally preserving the market share at our customers'



end. I am not talking about ours. But everyone is very cognizant of the fact that this is going to be a big theme in the coming years. So, people are transitioning one or two small brands at a time or the premium brands to these sustainable solutions in preparation for a larger play later. So, the guys who are leading in that effort today will reap the benefit in the coming years when that shift really happens. So, we have seen that in a couple of other industries where certain peers of ours made investments in advance and they are getting the benefit now after a few years. At the time, people said that why are you investing so aggressively in these areas? That's why we are sort of taking a view that these things are going to be the order of the day in the coming years.

**Harsh Shah:** Got it. And the teething issues are behind us now.

**Akshay Kanoria:** Yes, more or less, yes.

**Harsh Shah:** So, now the subsidiary is basically your Creative Offset, right? That's the only subsidiary which we have, material subsidiary. What would be the margin profile?

**Akshay Kanoria:** Yes, we have one in the Middle East also. That's the other subsidiary.

**Harsh Shah:** Okay. So, what would be the margin profile of your subsidiary business on a trend basis? Is it improving sequentially?

**Akshay Kanoria:** So, Creative is an EBITDA breakeven and a small cash loss. That we see improving in coming months as the utilization improves further. And the other subsidiary is mostly like sort of a trading company. It's essentially just a marketing company. So, that doesn't really have any much EBITDA margin. It's just to facilitate the sale in that region. It's not really a business as such.

**Harsh Shah:** Got it. And just one more, on a structural basis, we have entered this rigid packaging segment through this Creative Offset. Now we also have this agreement in place with Ventit as well for pizza boxes. What do you think in terms of segments or white spaces where there's still scope to grow and make a significant impact? For example, from a three to five-year perspective, is pharma something you are considering, or something similar? If you could shed some light on your thought process there?

**Akshay Kanoria:** Number of opportunities in hand at any given time are very large. As you know, everyone's crying that India market is not growing, which is true. And it does add pressure because of the competition, which is not as innovative or nimble as us, they may be just looking to copy our mainstream products and do it at a lower price. So, with that in mind, we constantly try to do something new and then hope that that grows into a substantial part of the business. The challenge is to pick and choose what is not a drag on your time or not a drag on your effort and on capital. So, there is a lot of opportunities. There are merger and acquisition opportunities coming on our doorstep every other day. But then it has to pass muster, either in terms of valuation or asset quality or management quality. So, most of the things sort of die over there only. And then we have a lot of other inorganic expansion opportunities and new technology, new products. So, we are constantly working. There is nothing specific I would like to pinpoint until we have something really specific to tell you, I mean, or rather more concrete to tell you. But we are always working on new opportunities. Obviously there should be something very promising in terms of growth or it should be very synergistic to our existing business. One of these two things has to be there, and it has to fulfill our basic criteria that give us a high double-digit return on our capital. So, these criteria are there. And we are always evaluating. But we are very conservative. We don't have any target that we have to grow every year at a certain rate. We want to sort of steward the capital very responsibly. Also, we have to be



cognizant of our bandwidth not getting stretched. So, I am trying to give you a flavor for how we think.

**Harsh Shah:** Got it. That's very helpful. And just one last question. In terms of our exports, right, what would be a ballpark difference between our landed cost in that country versus manufacturing in their own country?

**Akshay Kanoria:** Meaning, are we cheaper than the local manufacturers? Is that what you are asking?

**Harsh Shah:** Yes. And how much would be the ballpark costs?

**Akshay Kanoria:** How much and all now, obviously, that customer will always say you are more expensive. But at the end of the day, they are giving me the order. So, I don't know how much. And it depends job-to-job, customer to customer, region to region. But obviously, if we are getting the order, it's because they are seeing the difference. But I would just like to say that it's not price led as such. Price is an enabling factor. But if your business is purely price-led, it's not sustainable. Through years of effort, we have developed a strong reputation and established reliability in terms of both quality and service. Even in the COVID time when there was no material in the market, our lead time landed to customers overseas was lesser than their local suppliers because we had better raw material availability here. That also, I think, stays and registers in the customer's mind. So, even if on a particular quarter, because of some sea freight or some differential in the paperboard or some other input pricing, even if we are slightly more expensive still customers know in the long term, they find us to be reliable. And of course, there is the quality, service, all of these aspects. which are intangible. So, our market is not like very price driven. But, of course, you have to be very competitive. Otherwise, why would anyone import.

**Harsh Shah:** Got it. And what would be our top three geographies for us in exports?

**Akshay Kanoria:** So, again, I don't want to get into specifics, but we are exporting to Europe and Middle East. We are exporting to Africa, now the USA and North America has also been added. We are exporting even to Southeast Asia. We are exporting to our neighboring countries. Yes, so I don't want to get into specifics here.

**Harsh Shah:** Again, this spend is such that, even when we export to North America, the landed cost would be cheaper compared to local manufacturing. It's not so much about the price; it's more about the relationships, quality, and service.

**Akshay Kanoria:** Yes, a bit of both.

**Harsh Shah:** USA including freight, yes, okay. Got it.

**Moderator:** The next question is from the line of Shaukat Ali from Monarch PMS.

**Shaukat Ali:** I just wanted you to shed some light on this arrangement with Ventit. So, how are we going to benefit? Are we going to share some royalty on the technology that we are deriving from them? Or are we setting up some JV through which we will be delivering these products?

**Akshay Kanoria:** So, it's a manufacturing partnership agreement. There is no shareholding or anything. They are a small and closely held company. They are basically working on a very small scale right now, servicing some of these premium outlets in Mumbai, Delhi, Goa, Bengaluru. And for them to scale up and service these larger national food delivery chains was a very daunting task and was not really feasible, and it was

crimping their growth opportunity because they can't feasibly go to one of these chains and tell them buy from me because they don't have the capability to produce. So, with that in mind, they came to us and we got along very well, we have been working together in an informal way for a few months. So, now that some business has materialized, we have made this agreement, we will be either selling to them and then they sell to customer, or we will sell directly to the customer, and they will get some royalty. That's the idea.

**Shaukat Ali:** So, for that, we will be using the existing manufacturing resources, our own resources?

**Akshay Kanoria:** Yes. It's just leveraging.

**Shaukat Ali:** We may have to earmark some capital?

**Akshay Kanoria:** No capital required, only working capital. That's it.

**Moderator:** The next question is from the line of Rohan Kalle from InCred Research.

**Rohan Kalle:** Congrats on a strong set. So, just further on the previous question from the previous participant, so you mentioned that they already served some chains in Mumbai, Delhi and Bengaluru. So, is it safe to assume that now with respect to our agreement, will we also be serving these chains or will we incrementally be targeting new clients here? And second part to that is, would the sales effort be solely from their end or would we also be a part of that?

**Akshay Kanoria:** Without getting into too much specifics, we will do what makes sense for somebody like us to do and they will continue doing what makes sense for their scale of business to do. You know, like very small chains and all we may not service so well. So, we don't want to mess up his business. But he can't do very large scale. So, it's a good sort of marriage of convenience. And the sales is obviously, to begin with, they are making the main effort, but we are also now gearing up and trying to contribute.

**Rohan Kalle:** Got it. And just a second question. In terms of our packaging products that we make both folding as well as flexible, do you have some kind of sense on, let's say, how much of our end products go into the quick commerce channel? If yes, what would that growth have been for us and what would be the contribution there?

**Akshay Kanoria:** No, it's very difficult for us to know because as far as we know, the artworks and the product grammage and those kind of things are like totally the same. So, we wouldn't know. There have been one, two customers recently who have been changing product format and pack sizes to be suited for quick commerce. So, you know, they are like selling like a 20 gram, maybe they are selling a 15 gram, but we don't really necessarily know that. That's something they just tell us informally. It's not something which we know, it's not our business. Because we are making as per the customer's requirement. And these customers have so many formats now that they have to plan for this e-com, quick-com, modern trade, general trade. So, it's difficult for us to tell, really.

**Rohan Kalle:** Got it. Just the last one from my side. One is on the pharma packaging side, how are things panning out? And two, last couple of years, there was a little bit of a decarbonization on the liquor side. Has there been some kind of revival of any sorts in that segment? Or are we incrementally using that freed up capacity now to cater to the other FMCG companies?

**Akshay Kanoria:** So, on the pharma, we are a very small player in this field. We mostly service OTC, like the branded sort of pharma where you can recall the name of the product, like a pain relief or a gas relief or those sort of things where someone uses the name of the brand and then there is a recall. So, those are the kind of products that we are servicing because those are more FMCG in nature than the prescription medication. Prescription medication is a field which we are not very big in because it requires some level of specialization and sort of dedication of time and resource, which we have not managed to do. So, this is something which is a good prospect for us in the long term, but we are not really strong in it today. As far as the OTC part is concerned, that's growing and we are quite optimistic, and there is a good offtake, customers are really appreciating the better quality and better sort of print, finish and things that we are offering. So, there is growth there. As far as the liquor is concerned, the decarbonization has not really reversed. But brands are launching new offer packs and launch like rebranding and all with the carton. But 90% of the volume has sort of gone from that segment. So, we have made up for that loss with new customer development, increasing share and existing customers. So, if this liquor decarbonization hadn't happened, then of course, our growth would have been much better. But it's a reality.

**Moderator:** The next question is from the line of Kushal Kasliwal from InVed Research.

**Kushal Kasliwal:** I was just looking at your fixed asset turnover ratio for the last five years, you have consistently increased that from ranging to about below 2x now or up to 2.5, 3x. So, just wanted to get some understanding whether the new capexes, which we have done over the last two, three years, have they yielded better fixed asset turnovers at the same margins? Or how do you think about this?

**Akshay Kanoria:** So, we have not done any much greenfield in the last couple of years. It has been mostly brownfield expansion of existing units. So, for us to pinpoint on exactly whether it is that capex that spanned out or like the earlier machine is getting more utilized is a little difficult. But I would say, pre-COVID, the utilization in general or even during COVID, our utilization in general was a little bit on the lower side. That has corrected in the last couple of quarters. I don't know, two, three years, I would say, our overall utilization has improved. So, I suppose that has had an impact on the asset turn. Yes, overall, utilization has improved. So, I hope to continue this happy trend.

**Kushal Kasliwal:** Can you just throw some light on the utilization levels currently and during the time of COVID, maybe like a capacity utilization percent?

**Akshay Kanoria:** COVID, no point giving you because there were so many waves up and down that the utilization kept swinging. In the first quarter of COVID, it was like 30% utilization or something for a few months. And then it swung to 80% because the customers started restocking. And then it again dipped because they weren't able to sell what they were restocking. Then you had delta. Again, it dipped. Then again, there was restocking. So, there was too much fluctuation in the COVID time. I think let's forget COVID for a few minutes, but if we look at the company as a whole, we are at 80% plus right now. And wherever we are a year back is a bit difficult. I don't have that data with me, but offhand slightly lower. We have added capacity also. That has happily gotten utilized.

**Moderator:** The next question is from the line of Pulkit Singhal from Dalmus Capital.

**Pulkit Singhal:** Akshay and team, congrats on a good set of numbers. First question is on your thought process of evaluating various opportunities that are coming up. Just trying to understand the lens or the rationale behind them, as in you have expanded into flexible, into mobile packaging and also into Innofilms. And I would presume you have

enough opportunity to use the same capital within existing businesses as well. So, how do you think about these various opportunities, where to deploy capital and where not?

**Akshay Kanoria:** Yes. So, it is a bit of gut feel, but look, like for example, we put the factory in Chennai. That is our core business, our mono-carton business. So, we are very clear that that business we can't jeopardize in the pursuit of new opportunities or new avenues of growth. We don't want to cannibalize or rather distract us from our core segment. So, if that is a worry with investors, I would like to state that that is a worry with us also and we don't want to jeopardize our core. So that we will continue to grow, and we will continue to invest. Now the growth rate in the core segment has come down because the consumer segment itself is a little sluggish since the last few years. But India in general, there are so many opportunities. There are so many new segments. There are so many export-oriented sectors that are coming up in the economy. So, we try to find ways to participate in that growth. And as I, sort of spoke about earlier on the earlier person's question, we are looking at either something which has a good future growth prospect, or which is synergistic to our existing business. One of the two. So, ideally, something consumer industry oriented and not too far away from something we understand or there should be some very significant upside in terms of growth potential. Now everything you do doesn't always pan out. But one has to keep trying.

**Pulkit Singhal:** Understood. And from a return on capital perspective, our company itself is at 20% odd now. So, these would be more accretive to that or generally you find them at the similar levels or even lower?

**Akshay Kanoria:** Similar level only. Not lower. We don't want to reduce our return, but there is not so many businesses in the world which have returned more than 30% or something. So, it's not easy to find that kind of opportunity, but we are looking always. So, we hope to do always better only, but we have a minimum threshold that at least it should theoretically get us a return of above 20% on our capital. So, if there is no way it can get that, then why to invest. Then we would rather return that money to shareholders.

**Pulkit Singhal:** Understood. And in the pursuit of these opportunities, are you largely looking to fund them through internal accruals or are you even looking to consider external capital if required?

**Akshay Kanoria:** So far, we have managed without external capital. And we would always prefer to manage without external capital. But it depends on the timing of said opportunity or opportunities, like if there is more than one that's coming at the same time, then it depends, do we want to let the opportunity go or are we happy to have a partner for that. But till date, we have never had any external funding for particular projects, that is something new for us but depends on the opportunity.

**Pulkit Singhal:** Understood. On the margin profile front, I mean, last three years, I am including the nine months of this year. We have done roughly around 16% kind of EBITDA margins. Prior to that, three years or more, it was more like 14%, 14.5%. Now, when we look at the next three years, and I understand it's a function of product mix, raw material, but there is also a function of scale and competitive intensity. So, how should we think through this over the next three years? Any sense of whether we are operating almost at the peak or there is? Because the latest quarter is 14.7% and it kind of becomes a bit hard to understand how to think through this. Should we look at annual numbers or look at the latest quarter while thinking through?

**Akshay Kanoria:** Sort of answered that question earlier that like let's not get swayed quarter-on-quarter and look at the overall picture because one quarter is a little difficult to go by because there are so many factors, for example, post-Diwali is a bit of a lull in the domestic

market and it drags the quarter down. Or suppose there is some foreign exchange benefit that we get, then that improves the performance. So, these kind of things are very quarter-on-quarter to look at it is a little difficult. But overall, as a company, I can't really guide for margin, but certainly we don't see the margins doing anything dramatic. It's very difficult and there are so many factors that are at play over here, you know.

**Pulkit Singhal:** Yeah, understood. This last question is on the growth. Even if I adjust the base, you have grown at a healthy 20%. You know, I am just making the way to the Rs. 400 crore. That itself is quite healthy in a very weak domestic market. So, that would imply that exports or flexible, either one or both have grown way higher than 20 for this to happen. So, just trying to understand, would you like to call out some underlying drivers that have suddenly picked up that you are seeing in each of these segments that might continue in the future and it is good for us to know or that could be a problem?

**Akshay Kanoria:** No, I would not like to point to anything specific, but we are overall happy. There is very little to be unhappy about. In this last quarter, things were quite benign everywhere. So we are quite happy. The sentiment is good. It has to continue. I don't know if this rate of growth is something we can guide for. But even if this run-rate continues, it's quite positive.

**Moderator:** Thank you very much. Ladies and gentlemen, we will take that as our last question. I will now hand the conference over to the management for closing comments.

**Akshay Kanoria:** Thank you. I hope we have been able to answer all your questions. Should you need any further clarifications or if you would like to know more about the company, please feel free to contact us or CDR India. Thank you again for taking the time to join us on this call. We look forward to interacting with you in the next quarter. Thank you.

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