



Empire Mills Complex
414, Senapati Bapat Marg,
Lower Parel
Mumbai 400013, India.
Tel : +91 22 61646000
Fax : +91 22 24935893
Email : tcpl@tcpl.in
Website : www.tcpl.in
CIN: L22210MH1987PLC044505

1st June 2024

The Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001
Security Code:-523301

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 Q4 & FY2024 Results Conference Call

With reference to the aforesaid subject, attached is transcripts of the conference call held on 29th May 2024, with the Investors and Analysts.

The aforesaid information is also available on the website of the Company at www.tcpl.in.

Kindly take the same on record and acknowledge the receipt.

Thanking You

For **TCPL Packaging Limited**

Compliance Officer



TCPL Packaging Limited
Q4 & FY24 Earnings Conference Call
May 29, 2024

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 Kunnappally from CDR India. Thank you, and over to you, Ms. Rose.

Jenny Rose : Good evening everyone, and thank you for joining us on TCPL Packaging's Q4 and FY24 Earnings Conference Call.

We have with us today Mr. Akshay Kanoria, Executive Director; Mr. Jitendra Jain, Chief Financial Officer; and Mr. Vivek Dave, GM (Finance) 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 Mr. Akshay Kanoria to make his opening remarks. Over to you, Akshay.

Akshay Kanoria: Thanks. Good evening everyone, and thank you all for joining us on our earnings call for the period ended 31st March 2024.

I trust all of you had the opportunity to go through our results document shared with you earlier. 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 have a Q&A session.

We have concluded the year on a positive note showcasing resilience as we have navigated a subdued demand environment in the domestic market. In FY24, our consolidated revenues rose by 5% to INR1,541 crore, supported by export initiatives and healthy contributions from the flexible segment. EBITDA grew by 7% to INR251 crore, translating into a margin of 16.3%. In Q4, consolidated revenues crossed INR400 crore, with EBITDA reaching INR70 crore, reflecting strong margins of 17.6%, respectively. Cash PAT for the year and quarter stood at INR206 crore and INR57 crore, respectively, showcasing our financial strength and performance. Despite the high base effect from the previous year and reduced demand in select end user industries affecting our growth in FY24, we remain optimistic about the market trend and anticipate a rebound in domestic demand in the coming fiscal.

As part of our strategic plan, we are actively working on establishing a greenfield facility in Southern India. This initiative is aimed at broadening our pan-India presence and enhancing our ability to serve both current and potential customers more efficiently. We are closely evaluating a land parcel on a long-term lease strategically located near Chennai. The location would be near major industrial hubs and offer easy access to core markets and logistical advantages. The expansion with TCPL's goal of growing geographically alongside our customers and strengthening our leadership position in the industry.

Further, we are pleased to announce that Mr. Ashish Razdan has joined us as an Additional Director/Non-Executive Independent Director, thereby strengthening our Board. He brings expertise in corporate transactions, including mergers and acquisitions and private equity. As core share of the India working group of the International Power Association, Mr. Razdan who is an LL.M. from Kings College London and management certificates from Harvard and IIM Ahmedabad. We believe his experience will be invaluable as we continue to expand and strengthen our market position.

Moving on, TCPL has had a remarkable year, receiving numerous prestigious awards that highlight our industry leadership and innovation. We secured top honours at SIES SOP Star Awards 2023 and received 6 awards at the IFCA Awards 2023. Additionally, we received the Global Print Excellence Award and the National Award for Excellence in Printing from all India Federation of Master Printers. We were also congratulated and commended by our customers such as Kenvue and

Marico for things like maintaining zero non-conformities as well as innovation. And also particularly of note is the fact that we won the “PrintWeek Printing Company of the Year 2023” as well as the “Innovative Printer of the Year 2023” award at PrintWeek Awards last year, which is amongst the industry's most prestigious awards or recognition.

Furthermore, on the financial side, TCPL's significant growth over the years was acknowledged by The Financial Times and Statista, reaffirming our status as one of the rapidly growing enterprises in Asia Pacific for 2024.

In line with our commitment to returning value to our shareholders, I'm pleased to announce that our Board of Directors has recommended a dividend of INR22 per share. This marks the 24th consecutive year of uninterrupted dividend payout, showcasing our consistent and reliable dividend policy.

To conclude our expanded production capacities and strategic initiatives position us well to capture emerging opportunities in the packaging industry. With a proven track record of growth, we are confident in our ability to continue delivering sustainable value to all our stakeholders. Leveraging our extensive expertise and institutional strength, we are committed to sustaining our impressive 30-year revenue CAGR of approximately 17%.

On that note, I would request the moderator to open the forum for any questions or suggestions. Thank you.

Moderator: Thank you very much. The first question is from the line of Nitish Rege from ChrysCapital.

Nitish Rege: My first question is related to the capex, for the Chennai plant, how much capex do we plan to do for this plant? And how long will it take to operationalize this plant?

Akshay Kanoria: Yes. So we can't give capex for individual plants. But for the company as a whole, the capex budget, it's not 100% final yet and it keeps changing over the year. It is broadly in line with the previous year's number, which is more than INR100 crore. And as far as the time line for this project is concerned, we hope to start this calendar year and certainly this financial year.

Nitish Rege: Okay. Got it. And what kind of growth do we expect in FY25 from rigid flexible or overall? If you could give some colour on that?

Akshay Kanoria: Yes. So last year, we had a dual headwind, which was the liquor going out of the cartons and the price reducing from the 2023's high. This year, both have played out.

So we'll have a normal year. I mean we are expecting a year of normalcy, and hopefully, we come back to our long-term growth trend this year. That is our ambition. But I could say that a lot of it depends very much on the kind of domestic consumption revival, which we are all eagerly sort of hoping for.

Nitish Rege: So would you say around 10% to 15% growth in FY25?

Akshay Kanoria: Yes. So usually, we don't give like specific guidance, but I mean, that's certainly our kind of ambition or target.

Nitish Rege: Okay. And as a share of flexible packaging increases, so how do we see our overall margins panning out? And what should be our sustainable EBITDA margin going ahead?

Akshay Kanoria: Yes. So despite the flexible having increased already quite a lot over the last few years, the margin has been fairly stable, I mean, it's on an upward trajectory only. So we see the margin kind of sustaining at this 15-plus level. And also the flexible is growing, but the paperboard is also growing. So even though share is growing, it's not growing as much as one would expect.

Nitish Rege: Okay. And just a last question on Creative. So what is the current revenue run rate for Creative? And have we cracked any new customers during the quarter?

Akshay Kanoria: Yes. So the exact number, again, I wouldn't want to get into, but we have cracked several customers. There were a few customers where we were doing very small value of like trial order business where we have cracked major orders starting this season now. There's a big seasonal impact. So typically, new customers and all, they are starting business around this time of the year. So we are seeing a good traction, and the growth will continue in high double digit we estimate. And we have cracked several customers in both the electronics segment as well as in the consumer products, cosmetics and other segments.

Nitish Rege: Okay. And how do we see Creative ramping up over the next 2 to 3 years? How big of a share will it have on our overall revenue?

Akshay Kanoria: Yes. So as we've said in the past, our goal or ambition with Creative is to turn this into a triple-digit crore revenue business. And as a percent of our overall business, obviously, it's not going to be a very large percent. But once it's got to a certain level of revenue, I think the bottom line should be more healthy. And that's really what we are focused on. And basically, this unit will be a highly specialized unit focused on very high value and high value-added products. And this is at the premium end of

the chain. So obviously to get big volume in that premium segment is not very easy, and we see that growing in the long term.

Nitish: And any time line for this triple-digit revenue target?

Akshay Kanoria: No, we can't guide for time line, but yes, we hope to do as soon as possible.

Moderator: The next question is from the line of Nikhil Shetty from Nuvama Wealth.

Nikhil Shetty: Congratulations on healthy operational performance. So, my question pertains to margins, gross and EBITDA, which is the highest level, and I believe it is because of positive contribution from the subsidiaries. So can you throw some light on what went well during the quarter for the subsidiaries?

Akshay Kanoria: Yes. So on the individual subsidiary while we wouldn't want to get into because you know we have 3 subs. So it's bit of a combination of all 3, which are influencing the margin. But I mean, as a company as a whole, I would say that a lot of it is due to the benign raw material situation and improvement in job mix. And overall, we find that a margin of 15 to this mid-teen level it is a fairly sustainable number to continue with.

Nikhil Shetty: So this quarter number is around 17.6, So how do you see that number going forward?

Akshay Kanoria: I mean, we hope it will be stable, but we wouldn't guide for that long term.

Nikhil Shetty: So there is no one-off in this number?

Akshay Kanoria: So it's not like there's some significant one-off or something like that. There is no adjustment or inventory gain or anything like that, that's influencing this.

Nikhil Shetty: Okay. So given now things are improving at least commentary from FMCG players, they are talking about positive volume growth in FY25. So can we see a mid to high single-digit kind of a volume growth in domestic market in FY25 and as our export is already doing well, so the overall level, we can able to reach over a 17% to 20% kind of a top-line this year?

Akshay Kanoria: Look, I'm not precluding the possibility of a very good top-line growth. It's certainly very much possible, but it will really depend on how the domestic market supports because now we have a fairly wide reach in terms of customers and industry. And if you see all across the last several years, the volume situation was very poor in terms of our end customer. So there's only so much more we can squeeze out of that in

terms of share of business and new customer development. So as long as the domestic industry grows at high single-digit volume, then I think we should be able to have a fairly robust performance on top-line.

Nikhil Shetty: Any new plant addition during this year, particularly in carton?

Akshay Kanoria: Yes, we announced the Chennai plant in the Board meeting yesterday as well as right now in my introductory remark. So that should start this calendar year we hope, but certainly this financial year. But the revenue impact of that will really, I mean, it won't play out this financial year mostly. It will really come in the years ahead.

Nikhil Shetty: So generally, how much time it take from announcement to commissioning?

Akshay Kanoria: So to commission, we hope to do it this calendar year, as I said. But from commissioning to the time it starts stabilizing, that takes some time because you see the big customers, they all have audit, first of all. So that takes a few months to align and for that audit to get passed and then for the orders to start. And once you start a new plant, you also take some time to set the quality, set the systems, etc. So typically, it takes at least a year before it's at a very healthy capacity utilization. So we expect the revenue impact of this new plant to start playing out only next financial year.

Nikhil Shetty: Correct. So this will be like a combination of carton and flexible both or particularly dedicated to carton only?

Akshay Kanoria: No, we just expanded our flexible packaging plant very recently, a little later in last financial year. So we don't have any major capex plans in the flexible packaging business for this year. And this is the carton manufacturing.

Nikhil Shetty: Carton manufacturing. And just if you can help me with the utilization levels in flexible and folding during this quarter?

Akshay Kanoria: So we don't give the breakup unit wise, but let's say, overall, our utilization level is approximately 75% to 80%.

Nikhil Shetty: 75% to 80%. Okay. And lastly, on the Innofilms part. So how is that piece of business doing now? Any client addition or any progress?

Akshay Kanoria: Yes. So Innofilms, we are having some progress in terms of the quality of the film that we are manufacturing. We are now more or less stabilized in terms of the film quality. And we are actually making commercial supply for certain customers of ours when it comes to the recyclable innovative packaging, and we are promoting this

heavily. We have also been utilizing this line for some other innovative film applications, which we hope to be commercializing this financial year. So overall, within Innofilms, we are quite positive, and it is going to become a revenue and profit adder to the company rather than a drag, which is what it's been for the last few years.

Moderator: The next question is from the line of Resham Jain from DSP Asset Managers.

Resham Jain: I have three questions. One is on Innofilms, what was the drag in P&L during FY24? And in terms of new customer addition that you alluded earlier, how are you thinking because this is more of a sustainable kind of solution, which you will be providing to the customer, right? So in terms of ramping up the plant because it's a continuous plant, so, I believe that you need to operate this at a certain level of utilization to make decent money. So just if you can share your thoughts around this point.

Akshay Kanoria: It's not continuous in the way like a blast furnace or a cement kilns is continuous. Like, you can shut it and it doesn't have a bearing on the output. But yes, obviously, the more continuously you are running it is better from a wastage and productivity and quality point of view. But we are basically targeting these major multinational-type customers as well as export markets for these kind of products. And in the time that it's not manufacturing the high value-add film, we are using it for other purposes like the regular films. But obviously, the goal is to ultimately fill it up with value-added products. We have an R&D department in our flexible packaging business, which is focused only on this and on certain other R&D developments. Basically, the flexible packaging business because it's such a large industry and there's so many end-use applications, there are many niche areas where innovation and good R&D can add on substantially. So we are exploring that, and this machine really enables us to do that. So yes, we are quite positive. And in terms of the P&L drag, again, I said I don't want to get into that too much, but the drag has really kind of stopped becoming a drag this year. So it is no longer a drag. It's not adding anything much, but it's not a drag anymore.

Resham Jain: Okay. Understood. And the second point is on your new capex, which you are doing. So, like you mentioned previously that you have existing plants where you can put additional lines. So how do you think about it whether putting a new line in additional location would have been more optimal or based on your client requirements and all, you have to put up in South so that there is business continuity and long-term growth remains intact.

Akshay Kanoria: Yes, you're absolutely right, of course, from a purely financial point of view, you should ideally keep growing the existing unit and keep doing brownfield because that's much more remunerated by definition. But from a business point of view, if you want to maintain your market standing and position and relationship with customer, relevance to customer, then you have to expand with your customers and to not be present in the deep South was becoming long-term sort of hindrance. Rather a bit of a threat, I'd say. So it was very important strategically for us to go to South. And even the market over there is really expanding. There are big new investments happening every day. And it's an overall very dynamic and growing market. It's also well positioned in terms of exports because we are near the port, and we are in a very busy part of the world, Southeast Asia. So overall, it's a good strategic fit. And thanks to that, I'm sure the business logic will also follow.

Moderator: The next question is from the line of Pawan Kumar from RatnaTraya Capital.

Pawan Kumar: So, regarding the profitability of the subsidiaries, it has seen a significant improvement. So any comments on sustainability of the same and chances of improving this profitability further?

Akshay Kanoria: Yes. So as I said before, there are 3 of these subs. So we won't want to get into too much detail on any individual one. But obviously, we have set this up with some view in the long term. So they have to grow and they have to add substantially to our company profit. And we hope that it will not just be like a small blip in the consolidation, it should not be like a very small difference. It should be a much bigger difference. That's our goal for it.

Pawan Kumar: So basically, we are saying at least this quarter's performance should be sustainable and should get better, right? Because that's what it should be looking at the current numbers, it doesn't seem to be a drag as of now.

Akshay Kanoria: Yes. But the thing is that the revenue now is very small, so 1 bad month and your whole sort of performance goes for a toss. So one customer had a bad quarter and your performance can go for a toss. So our focus is really now on growing the level of operation, and we are sure that the bottom line will follow.

Pawan Kumar: Okay. And on the Innofilms side, sir, the mechanical issue that we were facing regarding the machine, has that been fixed?

Akshay Kanoria: Yes.

Pawan Kumar: Okay. And can we just have the capacity utilization for the flexible line alone because we just wanted to understand when would you need to put in the next level of capex?

Akshay Kanoria: So for the flexible, we just added the line middle or late last year. So the utilization is still low. And there is no major capex planned for the next year at least.

Pawan Kumar: Okay. Would my understanding be right that the overall capacity utilization might be somewhere between 60%, 70% broadly on flexible side?

Akshay Kanoria: Yes, yes. In fact, it could be even lower.

Pawan Kumar: It could be even lower?

Akshay Kanoria: Yes, yes. We can do much bigger revenue on the flexible side.

Pawan Kumar: And one last question from my side, so this Chennai plant, which we are visualizing, what percentage of the existing capacity can that be or as of now we see?

Akshay Kanoria: I haven't worked it out, but it's just one line. And we have, as a company, about 20 lines. So it's not going to be a very big increase in the capacity. So it's just like a first line, first start, it will take a while to really show up in the numbers.

Pawan Kumar: And INR100 crore capex that we have guided mostly would be for the land purchase of the new facility? Is that the right understanding?

Akshay Kanoria: This we are going to be doing on a rented premise with a long-term lease. So the land building cost is going to be very marginal. And this INR100 crore includes capex in our other units like brownfield expansion or replacements of older equipments, addition of some balancing equipments and also Chennai.

Pawan Kumar: And INR100 crore, we are talking about FY25 capex, right?

Akshay Kanoria: Yes, yes.

Moderator: The next question is from the line of Dhvani Shah from Quest Investment Advisors.

Dhvani Shah: Sir, I just wanted to ask one thing about the new project, which you have taken the sustainable one. Can you give some insight to what will be the contribution or what is the addressable market for the same? And what will be your margin?

Akshay Kanoria: Regarding the addressable market, it is huge because the entire flexible packaging industry is technically addressable market. But now out of that, how much is really seriously going to move into mono material structure, that is the question. So our

idea of putting this line was that this is a start. It is a way for us to be a relevant player in the flexible packaging business and to give some differentiated product and differentiated solution to our customers. And the idea being that the overall market is so large that you don't really need everyone to switch to such kind of product, you just need a few brands really and there's enough volume that we can cater to for even 1 or 2 brands of our large customers. That was the original idea. And of course, also export markets because those are switching to sustainable structures faster than developing market. So that was the goal. And contribution to top-line, machine is not very high, but the idea was that we will manufacture film and we will use it to manufacture the final packaging.

Dhvani Shah: Okay. And are there any competitors who have started the same thing? Or you are the first one?

Akshay Kanoria: There are very few others in the market who are doing this. Again, I won't talk about specific companies on this platform, but there are not many in India and also not that many around the world because it's a very complex product and a technical challenge to execute.

Dhvani Shah: In future, think of converting everything, all of your packaging into a sustainable one or only a few products will be sustainable and the other ones will be the regular ones as you give it to the market right now?

Akshay Kanoria: So the bulk of what we manufacture is paperboard packaging, which by its nature is very sustainable. Anyway, let's leave that aside. But if we're talking about flexible packaging, obviously, the more we can do of this, the happier we are. And we are happy to do anything. We don't mind if a customer comes and gives us an order for regular packaging, we're certainly not saying no. But the idea is that we should have an alternative and we should have a compelling reason for a customer to work with us.

Dhvani Shah: Sir, is there any reason like the government is giving some new rules or something which is related to the customer's packaging that you have started this one?

Akshay Kanoria: So the is getting more focused on packaging and packaging space particularly, and the rules and norms are getting more stringent. And globally also, this is the case like in Europe now in coming years, there's going to be tax on non-sustainable packaging. Question is, obviously, how will they define what is sustainable versus non sustainable and how will they track, but these are things that are coming, and we anticipate these coming in India also. There's already certain rules coming out about recycled content in packaging. So our contention is that before you can have

recycled content in the packaging, so original packaging has to be recyclable because it's not recyclable, then how will you have recycled content is the final product. So that is our idea. And with that idea in mind, we took this step. You can read more on our website and various investor presentations and stuff what we have put out and our annual report.

Moderator: The next question is from the line of Vipul Shah from RW Equities.

Vipul Shah: First of all, Akshay, it's a first where on the call since we've started this process, Mr. Kanoria is not there. So we really miss him. Secondly, just wanted to understand from you, we put out for the first time in the deck that 32%, 33% of our revenues came from exports this year. Could you quantify what was the same in the previous year?

Akshay Kanoria: Thank you, firstly, for remembering my father, and I will pass your message on to him. Sorry, I'm a very poor substitute for him, but I'll do my best.

Vipul Shah: No, no, I think the baton is in good hands. So that also you can pass the message.

Akshay Kanoria: Sure. That I will pass for sure. The second question about the export, look the export, I wouldn't want to give specific numbers and all, but it has grown, and we are very happy with the performance, and it's grown quite substantially over the last several years. So overall, we are quite happy. And we see that there is further room for growth. And we are very ambitious for our exports, and we continue to focus on those markets.

Vipul Shah: So I mean, related to the exports, another couple of questions, if I may, is that, could you quantify whether it's high on a specific geography? Or is it sort of well diversified amongst various geographies? Second, do you think this crisis in the Red Sea will impact margins in the exports because ultimately, the biggest hit due to the Red Sea crisis will come in this June quarter. So whether we will be able to mitigate that or whether there will be an impact on the margins?

Akshay Kanoria: Yes. So I can't go into geographical split too much detail on it because it's a very sensitive topic and our competition is always very eagerly looking at our results and all of that. But regarding the Red Sea problem, yes, certainly, these kind of disruptions are a huge headache and long-term deterrent for customers to do business with foreign geographies. And they do impact our growth as well as our margin, no doubt, because when the shipping cost goes up dramatically, then you are competing with a local supplier, and he suddenly is much more favourable. Secondly, the customer is not so happy to take a price increase and the tendency is

to try force you to bear some of it. So we had a very benign freight environment just before this. Obviously, in COVID, it was crazy and then it drastically came down back to pre-COVID and then suddenly it popped back up. So this is a big problem, but it's a global problem. The whole world is facing it. Right now, containers from China are in short supply and prices are very, very high. So globally, it does reflect in the competitors' input price also because somewhere, they are also paying higher prices for their inputs. So it is not like the end of the world. But yes, it is a big hindrance to growth. And also interest levels of customers, particularly, let's say, in U.S. or Europe, or something do get impacted when they look at 2, 3 weeks, more lead time and \$2,000, \$3,000 more on the freight cost.

Vipul Shah:

Got it. So one another question which I had was we alluded and even on the last call, Mr. Kanoria alluded that this is now a normalized situation where the more premium end of our folding carton business, which caters to liquor on a year-to-year basis, will now be more comparable. What I just wanted to understand from you is that do you see a scenario in the near future where you see the liquor companies again coming back and asking for a paperboard packaging? Or do you see now that business is now virtually gone forever?

Akshay Kanoria:

See, if you say that what was the scenario 1.5 or 2 or 3 years ago, the liquor companies were looking at further premiumizing their carton packaging. And they wanted more additional value and they wanted more grammage, thickness, look and feel. So obviously, if they wanted all of those things they wanted for some reasons because they felt that consumers appreciating it. So I would say, obviously, I'm a packaging company, so I will always think of the credence of packaging. But I think there is some value that the packaging has. And it's very easy to say that what's the big deal, just remove it and sell the bottle. But they were doing it for so many years, and they were very happily doing it. So the packaging certainly adds a lot of value. Now what will happen in future and what is their view and what is the kind of market dynamic that plays out in coming years, I would not want to speculate. If liquor companies do come back into paperboard packaging that we are certainly ready to take advantage of the opportunity, and we welcome it.

Vipul Shah:

Akshay, one more question, if I may. Is the new venture which we are putting out in the South of India, and I think it's really commendable on the part of the management to think 5 years ahead. Do you think there is room for even creative to put up facility there, given the fact that a lot of manufacturing of consumer phones and electronics is also happening in South India? Secondly, do you think from a location perspective, given the fact that it is close to Indonesia, Malaysia, there is a prospect of we

receiving or buying up, say, raw material, which is much more competitive than what we source in India?

Akshay Kanoria: Yes. So both are very good points. And certainly, yes, this electronics market is very big in South India as well and it will be one of our focus areas. Now whether we do in Creative or we do in TCPL and all that, we'll see. It depends. And as far as the Southeast Asia, yes, absolutely, these are all things we will be looking at. And it is very close by to those markets. And historically, and even today, there's a lot of trade between India and that part of the world. And why import even export is a good possibility from here.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Sir, my first question would be, if you could tell me of our total revenue that we have done in FY24, what is the total contribution that has come from FMCG segment? And how has it panned out in last 3 years? If you could just give me a ballpark number on what CAGR growth FMCG segment as a percentage of total revenue that has been done in the last 3 years?

Akshay Kanoria: Yes. So FMCG, I will not get into specific numbers, please. But the FMCG is our largest segment. And historically, it has been our highest growing segment. These last few years, FMCG volume growth, as you have seen, I'm sure, in all news publications and publicly available data volume growth, and therefore, our growth in FMCG has been quite weak. And we see that hopefully coming back now. Our definition of FMCG and your definition may be slightly different because we look at FMCG as in pure consumer products, not beverage, not pharma. We don't include all of that.

Vignesh Iyer: Excluding food and beverages, right?

Akshay Kanoria: Yes. Actually, it's still our largest segment. And historically, it's been our largest growing. But these last few years, the growth levels have not been quite commendable.

Vignesh Iyer: Okay. I won't go into specific, but it has been more like flattish in last 3 years. Would it be in the right way to understand it?

Akshay Kanoria: Yes. On a volume basis, it's been growing, but marginal.

Vignesh Iyer: Okay. Right. Also, sir, due to this Red Sea crisis, just to understand how would you estimate our net working capital days, could it be affected? I mean, it is as of now

around 80 to 85 days, if I'm not wrong for the entire year. So what levels are we seeing for the current year?

Akshay Kanoria: No. This is including the effect of this Red Sea crisis. So this crisis has been on since November. So there's nothing, but it's all there in our numbers.

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

Pulkit Singhal: Congrats on a good margin performance and managing the firm well in a tough year. Just a couple of questions. One, if you could just talk about the rigid packaging space in general. How big would this space be in India either in terms of tonnage or rupees? And how big is, say, this smartphones within that, some broad numbers if you have? And what are some of the trends shaping demand there? I mean, are there some movement towards rigid packaging that is happening? So I'm just trying to get a sense of that space.

Akshay Kanoria: So thanks, Pulkit. Nice talking to you. We don't have any specific numbers to share, unfortunately. However, just generally speaking, I would say that one of the biggest segment of rigid packaging is in the mithai space, which is a bit of a challenging market to tap because that is very, very decentralized, and it is mostly dominated by small local players who have semi-automatic or manual machinery to manufacture the boxes and vast range in terms of quality. So that is really the bulk in the country. So if you have a pooja at home or you go to a wedding or something, those mithais will be at least a very large chunk of them will be in rigid boxes. That is the real bulk requirement. Then I think the electronics and all is distant like distinctly high. even things like sarees and shirts and baniyans or lungis and those kind of things are packs in rigid boxes. So again, these are very unorganized segments of industry, largely catered to by small local players and a lot of cash business as well. So, I would think that's the major bulk of the market. In terms of the electronics, it's obviously driven by smartphones and by these new wearable segments. And then after that, there is cosmetics, FMCG, like perfumes or gift boxes and things like that. And there also, the bulk of the requirement is this small volume gift boxes, which are predominantly again locally sourced by small-scale suppliers. So it's a very unorganized market. It's not very large. There's very few peers who are very focused on rigid boxes who have a decent turnover and who would register in any list of top 10,000 paperboard packaging. So it's a fairly decentralized kind of business, but we see long term, all our major customers having some of the other requirements because ultimately, as we are keeping up the premiumization change, we'll be requiring such packaging. And the electronics and smartphone growth in India will add to the requirement. So that is our view on this basis.

Pulkit Singhal: Understood. And assuming even paper packaging at some point was highly unorganized, it's still quite unorganized, but as there's more brands get formed, even within sarees and even how the regional chains, mithaiwalas get bigger because even within that space, branding is happening. I mean is that like an opportunity that you would look into? Or would you focus just on electronics for now and how to scale up there?

Akshay Kanoria: No, absolutely, you're completely right. And if we look at our paperboard packaging story also, I mean, 20 years back or 30 years back, we would have been one of the few people to have a new machine. Most of the market was buying second-hand presses. And there was not enough demand, people thought that where the demand will come from to afford your expensive imported German presses. And obviously, that really took off in the '90s and 2000s. And it's come to like a certain base now, but still, obviously, there's long way to go. But I'm saying at the start, like in the '90s or early 2000s, when people looked at paperboard packaging, that was also seen as a small niche item only for the premium sort of boxes. Otherwise, most things were sold in the flow wrap. But we see the same thing hopefully playing out in rigid box. If we look at our neighbour China, the kind of capacity and machinery that come up over there for rigid box manufacturing is just unbelievable and staggering in comparison to the India market. There's many companies who are listed players largely in rigid box packaging who are in the hundreds of millions of dollars. But so there is a huge scope, there's no doubt. But today, we are very far behind as a country.

Pulkit Singhal: Understood. So I mean the machines itself, I mean, if you buy a new machine there, latest technology, I mean, that itself can drive a significant competitive edge versus some of the existing suppliers who may not have invested in the machinery over a period of time in rigid packaging.

Akshay Kanoria: Yes, absolutely. It's the same story as our paperboard packaging when you buy a new printing press versus an old one, my competitor who has an old 20, 30-year-old machine, he can match my 1 carton and he can show 1:1 sales for approval from a customer. But when he has to make 1 million of the same, that is where the problem comes. So it's the same thing in this. If I have to supply like 500 pieces or something, my machine is of no use. But if I have to do 5 lakh pieces, and the customer wants it in a certain number of days, then this automation and high-value machinery is really making the difference.

Pulkit Singhal: Understood. The second question on the exports bit. I mean it's a very commendable performance. We've almost doubled our export revenue in just 2 years. Now I

thought the first year was supported by paper prices, but delivering the kind of growth last year itself despite adverse paper prices. And I'm just trying to understand what's driving the growth and how sustainable can it be? I mean are we reaching a base where you feel that the growth rates need to taper down from what you're delivering? Or do you think that you can continue at the high rates that you're delivering?

Akshay Kanoria: So Pulkit, you asked me this question every year and last year also we kind of gave you a non-answer. So this year also, we will give you a non-answer only because we can't predict. Even if I wanted to predict, I don't know if I want to discuss in an earnings call.

Pulkit Singhal: Just last question on the margin, quarter-on-quarter, 250 basis points improvement in margin, I mean, unseen before. But would my understanding be correct that 260 basis points, it's largely driven by RM price decline and product mix and the subsidiary change has lesser to do with this margin change? Or do you say no, it's the subsidiary delta, which is leading to a larger chunk of this margin performance?

Akshay Kanoria: No, it's largely driven by RM improvement, which is a result of RM price change, but also a result of product mix improvement, which shows up in better RM contribution. So it's mostly this, I would say.

Moderator: The next question is from the line of Vivek Tulshyan from New Mark Capital.

Vivek Tulshyan: I just wanted to know if you could share what is the broad growth on the volume front and on the paper packaging business?

Akshay Kanoria: Yes. So for this year, it's been very low single digit. And even for the quarter, it's been low single-digit only. I mean it's not that there's not been a growth, but it's been fairly anaemic growth.

Vivek Tulshyan: Understood. And would it be similar on the flexible packaging side, or there, we've seen higher growth?

Akshay Kanoria: There, we have seen higher growth this year, yes, certainly.

Vivek Tulshyan: Would you be able to quantify that?

Akshay Kanoria: No, not really, but it's been certainly much better.

Vivek Tulshyan: Understood. And just one last question on the pricing. You mentioned the paper pricing has come off Y-o-Y. Will you be able to tell us broadly what that number is in terms of how much is it down by?

Akshay Kanoria: Difficult to answer because recycled board went up a lot more and came down also a lot more. Virgin board went up not as much as it has come down, therefore, not as much. But basically, recycled board at the peak had doubled. And by now, it's still a little higher than it was before COVID, but not by a whole lot. So it's really come down a lot. And in the virgin board, I think we had gone up maybe 60 to 60-something percent. And that, again, has largely been clawed back.

Moderator: I'll 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, CDR India or visit our website. Thank you again for taking the time to join us on this call. We look forward to interacting with you next quarter.

Disclaimer: This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility for such errors, although an effort has been made to ensure a high level of accuracy.