

# FUNDAMENTAL COVERAGE

## TCPL PACKAGING LTD



16 December 2020

### Stock Data

CMP (₹)	400
Target (₹)	492
Upside	23%
M.Cap (₹ in cr)	364.00
Equity (₹ in cr)	9.10
52 wk H/L ₹	460/140
Face Value ₹	10
Div. Yield	1.00%
NSE Code	TCPLPACK
BSE Code	523301

### Valuation Data

P/E	10.75
P/BV	1.25
BV	319.01

### Key Financial Data

EV	691.45
Net Worth	290.30
EPS (TTM)	37.20

### Index Detail

Sensex	46666.46
Nifty	13682.70

### Lead Rationale

TCPL is a leading Indian Packaging Company. It is one of India's **largest folding carton manufacturers and converters of paperboard**, an **Innovative player** in the flexible packaging industry and a **Leading supplier to the tobacco, liquor, consumer goods and food packaging industries in India**.

*From manufacturing only tobacco blanks and shells, the company has successfully diversified and broadened its operations to service a much wider range of packaging products, while steadily adding new customers and increasing its share of business in existing customers and markets.*

**During FY19-20, the Company has increased capacity at its Haridwar unit by investing in a state of the art new 8 colour offset printing machine along with post printing conversion machines and also stabilised operations at its new plant at Goa which was commissioned in March 2019.**

### TIPL becomes wholly owned subsidiary of TCPL

TCPL formed subsidiary company namely **TCPL Innofilms Private Limited (TIPL)**, earlier this year. Wherein, the company had subscribed for 99% of the paid-up equity share capital of TIPL and beneficial interest for the balance shares. **Thus, it now holds 100% shareholding in TIPL (direct holding 99% and by holding beneficial interest in balance 1% shares).**

Here, is setting up a new plan to manufacture a Blown Film **(expected to finish by June next year with a Capex of approx. ₹ 30 crores)**, which will be recyclable. And that film will be used in own conversion activities to manufacture recyclable laminate packaging.

**Thus, the setting up is for twofold objectives:**

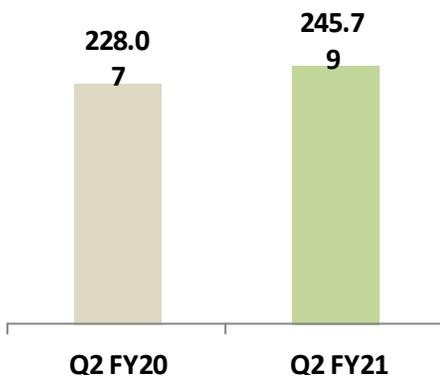
- **To get benefit of the new corporate tax rate of 17%.**
- **To make an independent profit center**

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### TOTAL INCOME ₹ in cr

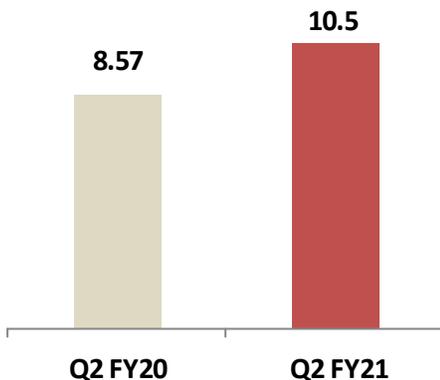


### Key Financial Points- Quarterly Update

Earnings have risen firmly for TCPL Packaging recently, which is pleasing to see. **Total income** for Q2 FY21 **increased 7.77%** to ₹ 245.79 cr as against ₹ 228.07 cr in the same quarter previous year. *While, the same has increased 45% on Q-o-Q basis.*

**EBITDA** increased marginally to ₹ 37.87cr in Q2FY21 against previous year.

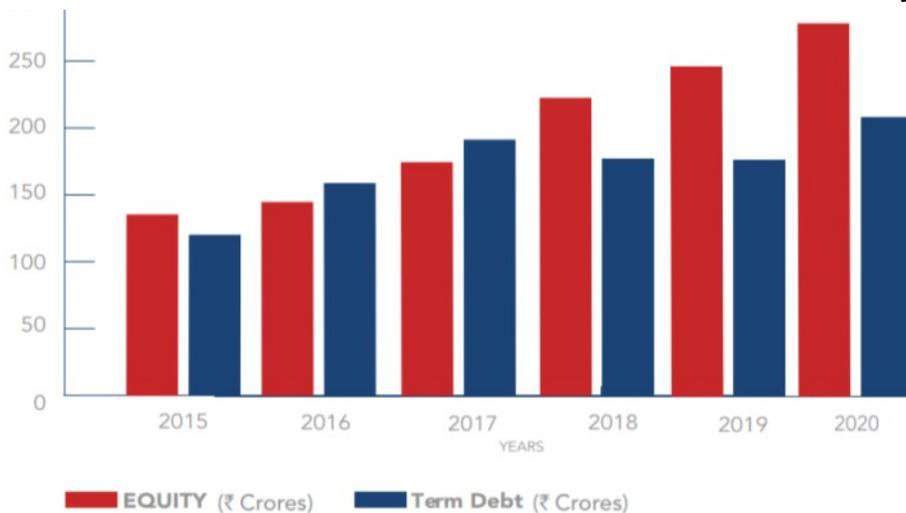
### PAT ₹ in cr



**PAT** increased to ₹ 10.50 cr during Q2 compared with ₹ 8.57 cr during the previous year and ₹ 0.70 cr in the previous quarter. **PAT margins** saw a marginal upside of 4.38% against 3.8% in the previous quarter last year.

**EPS** hiked to ₹ 11.54 during Q2FY21 as against ₹ 9.42 in the same period previous year and ₹ 0.77 in Q1FY21.

TCPL has maintained **healthy Term Debt to Equity ratios.**



*It uses debt judiciously to fund expansion and facilitate high growth rates. In recent years, Term Debt to Equity ratios have stabilised.*

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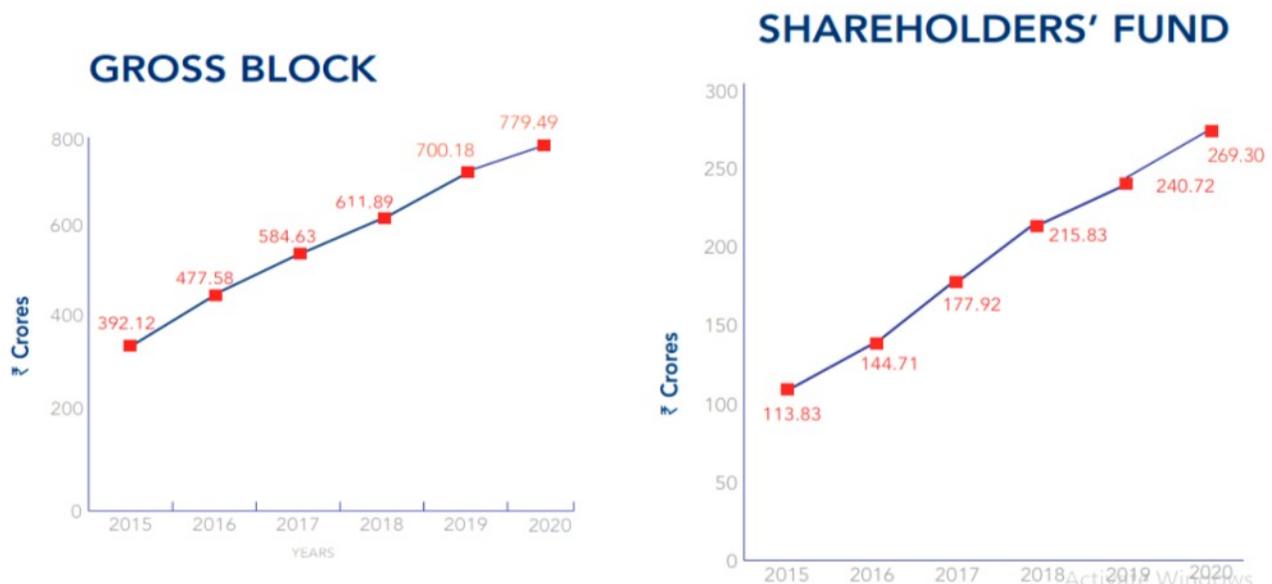
Also, TCPL created a iconic retail packaging for FCL- the Voom washing machine powder. TCPL and Future Consumer (FCL) came together to create a unique identity for the home care brand which saw a very good response.

**As company is in the business of manufacturing of packaging materials, and a significant part of the business is towards catering to products which are classified as essential goods. Therefore, management feels that for such type of goods of mass and day to day consumption, the demand in a country of the size and population of India, shall always exist though the rate of growth may certainly drop significantly.**

**Threat to TCPL:** The Company does a significant quantity of its business with the Tobacco industry which is under constant threat due to increase in taxes levied by the Government which impact the overall volume besides the need to print graphical health warning on the packs which do deter many from its consumption.

### A Look back at the Growth Story

TCPL has maintained a steady growth since inception in 1990. After 18 years, Net Turnover crossed the ₹ 100 Crore mark in FY 2007-08. In the 12 years since then, the company has grown over **eight times in size** and achieved a Net Turnover of ₹ 870.27 Crores in FY 2019-20, **with the last 10 years Revenue CAGR being 17%. From manufacturing only tobacco blanks and shells, the company has successfully diversified and broadened its operations to service a much wider range of packaging products, while steadily adding new customers and increasing its share of business in existing customers and markets.**



### Company Delivered

- ✓ **9.32% NET SALES GROWTH in FY 19-20 VS FY 18-19**
- ✓ **Net Turnover of ₹870.27 cr in FY20.**
- ✓ **Board Tonnage Converted (MT) at 73945**
- ✓ **Export Revenue of ₹146.42**
- ✓ **RONW at 14.32%, ROCE at 13.33%**
- ✓ **EPS of ₹40.13**
- ✓ **EBIDTA Margin growing from 12.90% in FY18 to 14.72% in FY20.**
- ✓ **PAT margins growth from 2.97% in FY18 to 4.20% in FY20.**

*The Indian packaging industry continues to grow on the back of rising domestic consumption. However, during the year 2019-20 the rate of growth of the Indian economy has considerably slowed down thereby adversely affecting the demand growth for its products. It continues to be one of the leaders in the industry, with plants at multiple locations, as well as a very strong customer profile.*

*Also, is at the forefront of technology in the industry and has a substantial scale advantage over smaller competitors. Expects to continue to expand its capacity, is focused on consolidation and capacity utilization leading to a positive correction in the debt: equity ratio as well as an improvement in EBITDA margins over the past year.*

*Going forward, would continue to maintain good ratios and steadily improve EBITDA margins as the new capacity gets fully utilized, on an overall higher scale of operations. We believe that the outlook is quite positive in general but, the outbreak of COVID-19 may reduce demand growth and affect operations.*

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### Result Snapshot

Particulars	STANDALONE					
	Quarter Ended			Half Year Ended		Year Ended
	30-Sep-20 (Unaudited)	30-Jun-20 (Unaudited)	30-Sep-19 (Unaudited)	30-Sep-20 (Unaudited)	30-Sep-19 (Unaudited)	31-Mar-20 (Audited)
<b>REVENUE</b>						
Revenue from operations	23976.56	16585.96	22217.52	40562.52	42862.98	87026.79
Other Operating Income	530.05	366.90	514.33	896.95	1024.97	1951.49
Other income	72.40	25.31	75.54	97.71	118.76	210.51
<b>Total Income from Operations (Net)</b>	<b>24579.01</b>	<b>16978.17</b>	<b>22807.39</b>	<b>41557.18</b>	<b>44006.71</b>	<b>89188.79</b>
<b>EXPENSES</b>						
Cost of materials consumed	13627.80	9795.21	13658.79	23423.01	26462.12	53182.03
Purchases of stock-in-trade	18.36	-	11.85	18.36	20.32	55.95
Changes in inventories of finished goods, work-in-process	247.62	(347.25)	(423.95)	(99.63)	(620.90)	(1190.82)
Employee benefits expense	2156.19	2246.38	2167.42	4402.57	4306.33	8705.91
Finance costs	936.66	994.41	865.44	1931.07	1749.25	3740.09
Depreciation and amortization expense	1276.37	1280.15	1184.69	2556.52	2326.06	4839.92
Other expenses	4742.48	2904.97	3944.90	7647.45	7625.12	15627.17
<b>Total Expenses</b>	<b>23005.48</b>	<b>16873.87</b>	<b>21409.14</b>	<b>39879.35</b>	<b>41868.30</b>	<b>84960.25</b>
<b>Profit before tax</b>	<b>1573.53</b>	<b>104.30</b>	<b>1398.25</b>	<b>1677.83</b>	<b>2138.41</b>	<b>4228.54</b>
<b>Tax expense:</b>						
Current tax	579.50	29.22	290.59	608.72	460.83	1080.00
Deferred tax	(56.29)	5.28	250.68	(51.01)	282.03	(503.32)
<b>Profit for the period after tax</b>	<b>1050.32</b>	<b>69.80</b>	<b>856.98</b>	<b>1120.12</b>	<b>1395.55</b>	<b>3651.86</b>
<b>OTHER COMPREHENSIVE INCOME ( OCI)</b>						
A. Items will not to be reclassified to profit and loss in subsequent periods (Net of tax):	20.69	(22.93)	5.51	(2.24)	5.51	(16.21)
B. Items will be reclassified to profit and loss in subsequent periods ( Net of tax):	118.52	107.42	15.24	225.94	14.73	(142.57)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>1189.53</b>	<b>154.29</b>	<b>877.73</b>	<b>1343.82</b>	<b>1415.79</b>	<b>3493.08</b>
Paid-up Equity Share Capital (Face Value of ₹10/- each)	910.00	910.00	910.00	910.00	910.00	910.00
Reserves- Excluding Revaluation reserves as per previous financial year	-	-	-	-	-	26019.77
<b>Earning per Share</b>						
Basic & Diluted ₹	11.54	0.77	9.42	12.31	15.34	40.13

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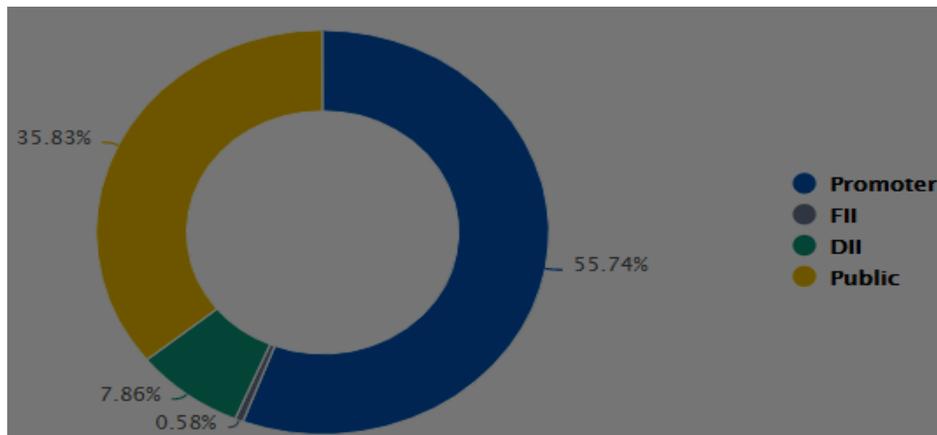


### Some of its esteem list of customers



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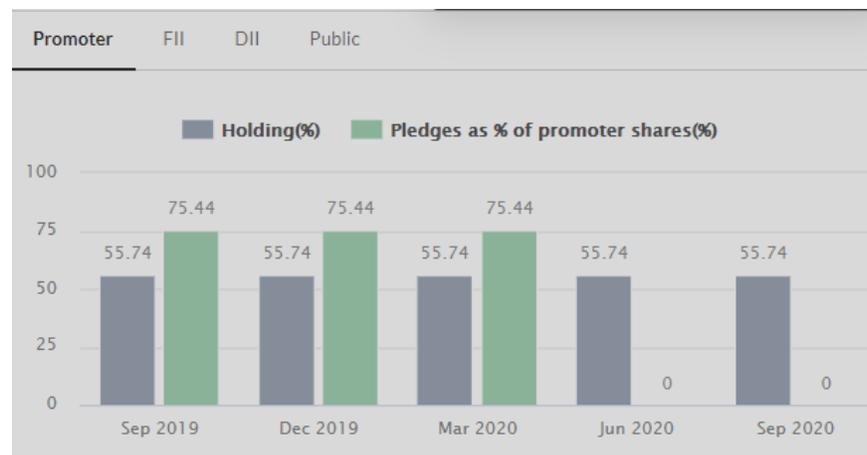
## TCPL PACKAGING LTD



### Shareholding Details

### Trend- Pledged shares

Company had some encumbrance on the share capital and that has been vacated in the June Quarter, FY20-21. The entire shareholding of promoters is now free from encumbrance.



**Peers Detail-** Company delivered good ROCE and a good growth during quarter with a stabilized Debt to Equity ratio while the P/E ratio is similar with that of the Industry P/E

S.No.	Name	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %	Debt Rs.Cr.
1.	EPL Ltd	34.74	8230.06	1.27	67.00	-13.73	770.30	5.45	16.23	498.90
2.	Uflex	4.51	2724.48	0.53	221.82	135.52	2228.75	19.05	9.58	3607.02
3.	Polyplex Corpn	4.02	2251.62	6.55	76.50	-47.35	1227.30	12.76	16.03	598.56
4.	Jindal Poly Film	3.11	2001.24	0.22	246.36	52.72	1091.23	29.21	17.93	835.04
5.	Ester Industries	7.54	991.54	2.10	45.91	138.49	250.52	-1.53	29.25	99.25
6.	Garware Polyest	11.59	971.69	2.39	37.76	41.11	249.20	-0.29	10.05	118.42
7.	Cosmo Films	5.29	828.76	3.29	52.71	83.66	559.78	0.70	14.15	688.12
8.	TCPL Packaging	10.52	355.18	1.03	10.50	22.52	245.07	7.81	13.49	300.16

### Company Overview

With its head office in Mumbai, TCPL has expanded across the country, and is now India's only packaging company to be located in all four geographies of the country. It also maintains marketing offices in Metro cities. Companies factories is located in Haridwar, Guwahati, Silvassa & Goa with marketing offices located across Delhi, Mumbai, bangalore & Kolkata. It is **one of India's largest manufacturers of folding cartons, and India's largest standalone converter of paperboard.** manufactures folding cartons, printed blanks and outers, litho-lamination, plastic cartons, blister packs and shelf-ready packaging.

TCPL has also ventured into the flexible packaging industry, with capability to produce printed cork-tipping paper, laminates, sleeves and wrap-around labels. promoted by the Kanoria family, which has varied business interests such as jute, tea, textiles, pharmaceuticals and chemicals. In 1990, the Kanoria family ventured into folding cartons manufacturing, with a unit in Silvassa

### Valuation Conclusion

*The company has shown firm results during the recent Quarter. Has maintained healthy Term Debt to Equity ratios.*

*Its significant part of the business is towards catering to products which are classified as essential goods where demand shall exists though, the rate of growth may vary.*

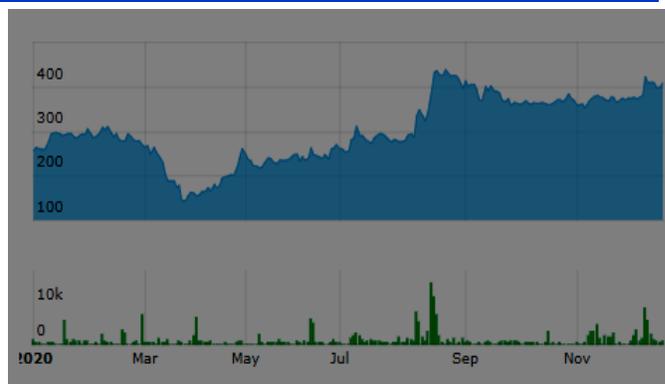
*We expect, going forward, would continue to maintain good ratios and steadily improve EBITDA margins as the new capacity gets fully utilized, on an overall higher scale of operations.*

**With an estimated EPS of ₹ 46.30 for FY22, at an estimated P/E of around 10.62x (currently trading at par with the industry P/E) the stock is a BUY at current levels with a long term target of ₹ 492.**

### VALUATION (₹ In Cr except per share)

Particulars	Amount
FY 22Est. Earnings	42.13
Equity Share Capital	9.10
FV	10.00
No. of Equity Shares	<b>0.91</b>
EPS(FY22Est.)	46.30
Estimated P/E Ratio	<b>10.62</b>
Estimated Price/share	<b>492</b>

### Share price chart



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