

India
ADD (Initiating coverage)

Consensus ratings*:	Buy 1	Hold 0	Sell 0
Current price:	Rs3,278		
Target price:	Rs4,250		
Previous target:	NA		
Up/downside:	30.0%		
InCred Research / Consensus:	29.6%		
Reuters:			
Bloomberg:	TCPL IN		
Market cap:	US\$355m		
	Rs29,833m		
Average daily turnover:	US\$0.6m		
	Rs51.7m		
Current shares o/s:	9.1m		
Free float:	44.3%		

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.6)	30.6	53.3
Relative (%)	(1.2)	27.9	23.9

Major shareholders	% held
Promoter	55.7
DSP	7.1
HDFC AMC	0.3

TCPL Packaging Ltd

Good things come in small packages

- We factor in a 12%/20% sales/EPS CAGR over FY24-FY27F led by a recovery in domestic FMCG volumes and sustained momentum from export business.
- We estimate a +115bp EBITDA margin expansion over FY24-FY27F driven by improvement in the overall mix and improved performance of subsidiaries.
- We initiate coverage on TCPL with a high-conviction ADD rating and a TP of Rs4,250 (22x FY27F EPS) as a proxy play on the domestic FMCG industry.

Diverse client base and scope to improve wallet share in cartons

TCPL Packaging (TCPL) produces a slew of packaging products across flexible and folding carton categories for multiple industries like FMCG, tobacco, liquor, electronics and others, with FMCG & food and beverage or F&B contributing c.55-60% to its total revenue. In FY17, TCPL forayed into the flexible packaging segment and has since then scaled the segment (now at 15-20% of sales). TCPL's long-term relationships with its existing customers and ability to add new clients, coupled with the continued thrust on expansion, puts it ahead of peers. New capacity addition in South India will aid growth further.

Strong traction in exports is expected to continue in the medium term

TCPL has seen strong traction in its export segment, which has grown in high double digits in FY19-FY24, with a strong presence in the Middle East, Europe, South America and North America. Export contribution to revenue stood at c.30% in FY24, which is a sharp improvement over 15% in FY19, and is expected to continue to inch up gradually as TCPL onboards new customers and improves wallet share with existing clients.

Flexible packaging segment to build on its momentum

TCPL's flexible packaging mix improved from 10-12% in FY19 to 15-20% in FY24 aided by capacity expansions undertaken during the period. Since its addition as a category, TCPL has been able to post continued growth from the segment and it remains a fast-growing segment for the company and should see gradual capacity expansion, in line with growing demand. As flexible packaging commands lower margins, there is a drag expected on the EBITDA margin front, but we expect innovative offerings by TCPL to drive an improvement in its mix, leading to healthy EBITDA margins of 16.8%-17.5% in FY25F-27F.

Large headroom to grow; initiate coverage with an ADD rating

We believe TCPL is poised for strong growth and is an interesting proxy to the FMCG industry, which has been witnessing lower volume growth in the recent past and should gradually improve from FY25F. We factor in a revenue/EPS CAGR of 12%/20%, respectively, over FY24-FY27F and initiate coverage with a high conviction ADD rating by assigning a 22x multiple on its FY27F estimated EPS of Rs192.3 to arrive at our target price of Rs4,250 (vs. 10Y/3Y historical average of P/E multiple of 16x/20x, respectively). Downside risk: Higher-than-expected reduction in EBITDA margins due to a gradual shift in the company's sales mix in favour of flexible packaging products.

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Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	14,749	15,414	16,856	19,061	21,910
Operating EBITDA (Rsm)	2,360	2,514	2,837	3,288	3,829
Net Profit (Rsm)	1,104	1,014	1,140	1,385	1,750
Core EPS (Rs)	107.5	111.4	125.3	152.2	192.3
Core EPS Growth	108.8%	3.6%	12.5%	21.4%	26.3%
FD Core P/E (x)	27.01	29.43	26.16	21.54	17.05
DPS (Rs)	10.0	23.7	22.0	25.1	30.4
Dividend Yield	0.61%	0.67%	0.76%	0.93%	1.17%
EV/EBITDA (x)	14.69	13.71	12.22	10.49	8.90
P/FCFE (x)	50.47	38.28	32.97	22.81	32.39
Net Gearing	108.5%	88.4%	78.3%	63.8%	49.0%
P/BV (x)	6.75	5.67	4.84	4.10	3.44
ROE	25.0%	21.0%	20.0%	20.6%	21.9%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Good things come in small packages

Investment thesis

Diverse client base in India; scope to improve wallet share ➤

TCPL Packaging (TCPL) manufactures folding cartons and flexible packaging for a wide range of industries like FMCG, tobacco, food & beverage (F&B), electronics, pharmaceuticals and liquor. It ranks among the top 3 in terms of installed capacity for folding cartons and is a challenger in the flexible packaging segment.

- The company's business initially started off manufacturing cartons for cigarettes and slowly onboarded more tobacco brands. Around 2001, it added customers in the liquor segment and by 2003 it had started adding large names in the FMCG space. Since then, the contribution of the FMCG sector to TCPL's sales has improved steadily.
- In FY17, it forayed into the flexible packaging segment and was able to gain wallet share from existing large customers.
- TCPL has a higher contribution from the FMCG, F&B and tobacco sectors (c.55-60% contribution) currently.
- A major portion (c.80%+) of its sales mix comes from folding cartons while flex (c.15-20%) has been on an uptick, growing at a fast pace in both volume/value terms.
- Given the higher dependence on the FMCG sector and in the context of weak volume growth in the recent past, an uptick in volume growth for the industry, in our view, will positively impact TCPL's sales growth.

Figure 1: Key clients from FMCG and F&B sectors



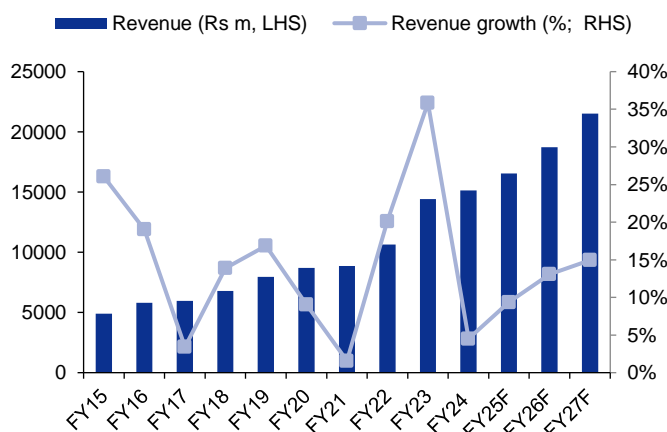
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Key clients from pharma, electronics & other sectors



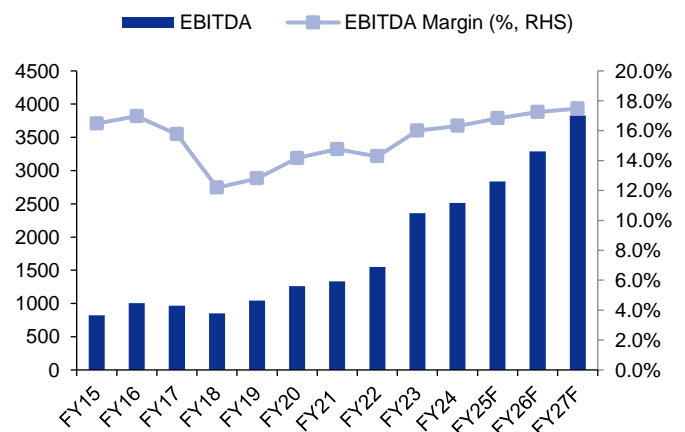
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: We expect a 12% sales CAGR over FY24-FY27F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: The EBITDA margin expansion trend to continue, supported by improvement in the mix



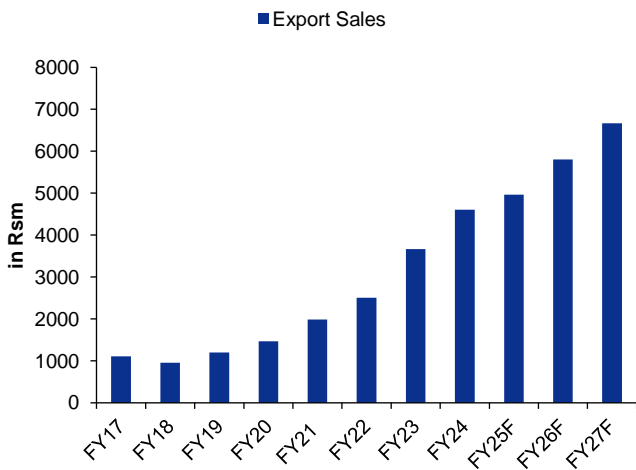
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Export business is now a strategic pillar; growth momentum expected to sustain ➤

TCPL forayed into the export market in the year 2000 by adding a few clients in the tobacco segment (the only area of operation at that time) and has since then scaled it in a commendable manner. At that time, the cigarette industry (globally) was transitioning from shells to flip-top boxes, and TCPL was able to capture some of this demand due to its advanced capabilities. Now it also caters to FMCG brands globally, but still retains a strong position in the tobacco segment.

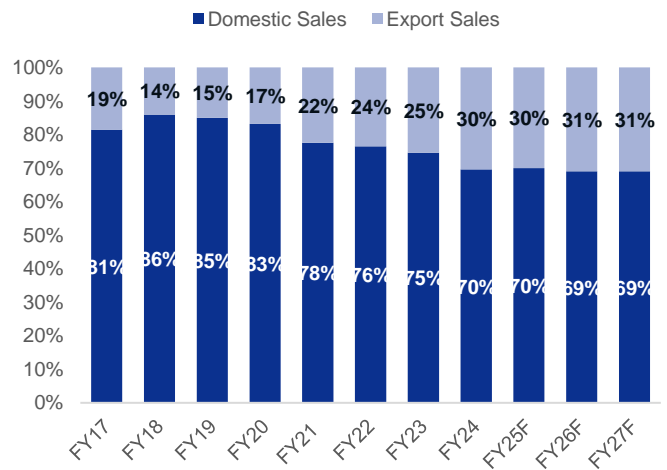
- TCPL witnessed strong traction in its export market since its foray in 2001. Between FY01 and FY10, its exports grew 49.1% and from FY11-FY20 they grew 18.8%. From FY21-FY24, TCPL's exports grew 32.3%. We expect them to grow 13.8% between FY24-FY27F.
- The company's facilities in Silvassa & Goa manufacture most of its export offerings.
- In FY24, domestic sales growth remained muted vs. a high double-digit growth in exports (to c.30% of sales).

Figure 5: Exports have been on an uptrend in the last decade



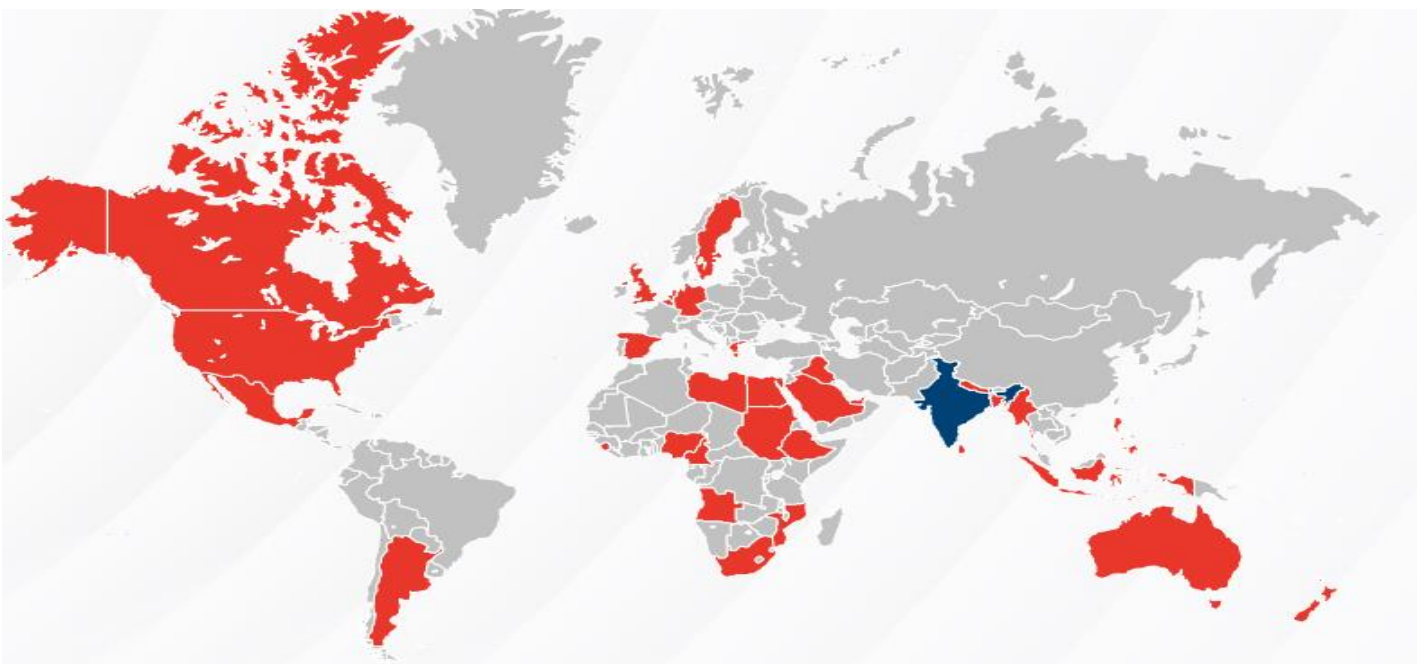
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Export contribution is expected to inch up moderately



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: TCPL has a strong presence across the globe

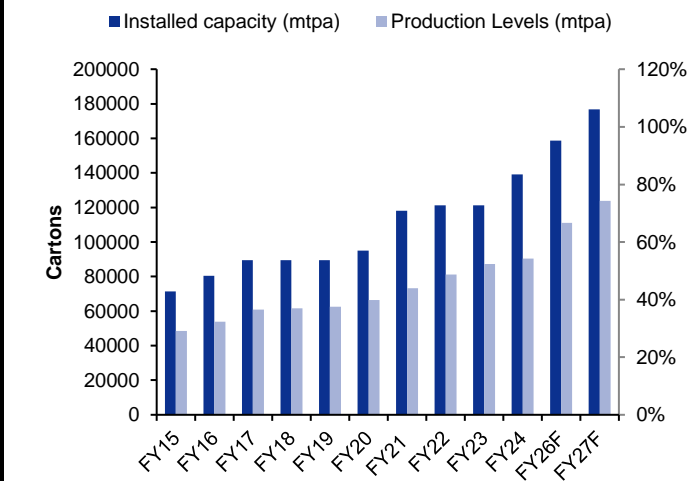


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Strong focus on expanding capacities to cater to rising demand ▶

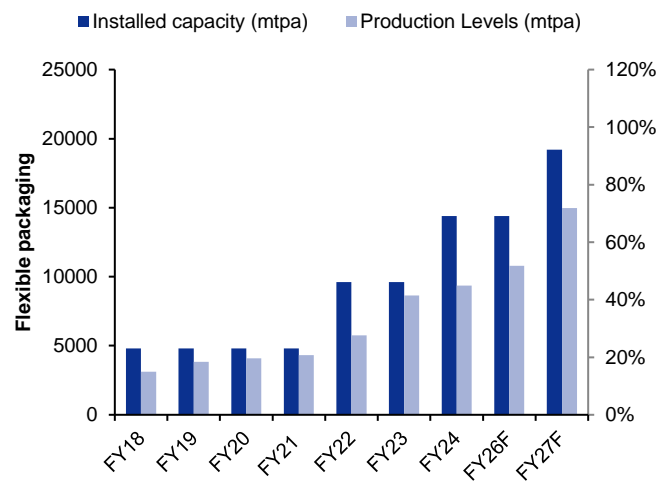
Over the last 10 years, TCPL has spent Rs9.7bn on capacity expansion across both greenfield and brownfield expansion projects in India. In FY23, the company doubled its flexible packaging capacity, strengthened backward integration capabilities and expanded the capacity further in FY24. Operations at its Silvassa facility started in 1990 which saw continued expansion over time, creating a large all-in-one facility that caters to most of the requirements across industries. TCPL announced its expansion in Chennai in 4QFY24 (greenfield), which is expected to be completed in 3QFY25F.

Figure 8: The thrust on capacity expansion for the carton segment is expected to continue in the medium term



SOURCE: INCRED RESEARCH, COMPANY REPORTS

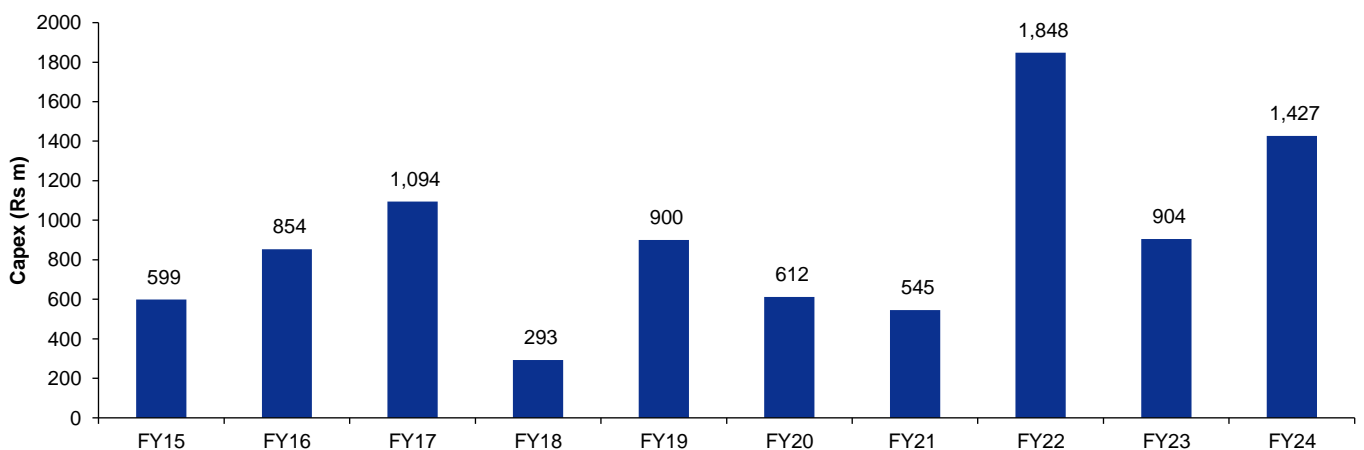
Figure 9: TCPL's flexible packaging segment is expected to see continued expansion, in line with the demand trends



SOURCE: INCRED RESEARCH, COMPANY REPORTS

TCPL is the second-largest company in terms of installed capacity in folding cartons, slightly behind Parksons Packaging, which has over 1,54,200mtpa installed capacity. In terms of revenue, TCPL is also the second-largest player in the folding carton segment. To further its diversification agenda, the company acquired a 100% stake in Creative Offset Printers Pvt Ltd (COPPL), which produces rigid boxes (higher margins) for leading smartphone brands like Samsung, Nokia and also makes rigid boxes for other electronics products (like smart watches and wearables) from its facility in Noida. COPPL clocked Rs320m in sales in FY23. The business is currently operating at a loss, and management believes this division can clock an 8-20% in EBITDA margin and 20-25% RoCE as its operations scale. TCPL has been onboarding new customers for this segment and believes this division can grow its revenue by 2-3x over the next few years by launching new products and adding new clients.

Figure 10: TCPL maintains its strong thrust on capacity expansion



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Recovery in FMCG industry volume to drive a recovery in domestic sales growth for TCPL ▶

TCPL has historically maintained higher volume growth than the FMCG industry's volume growth (refer Fig 11). The FMCG, F&B & tobacco sectors contribute 55-60% to its overall revenue.

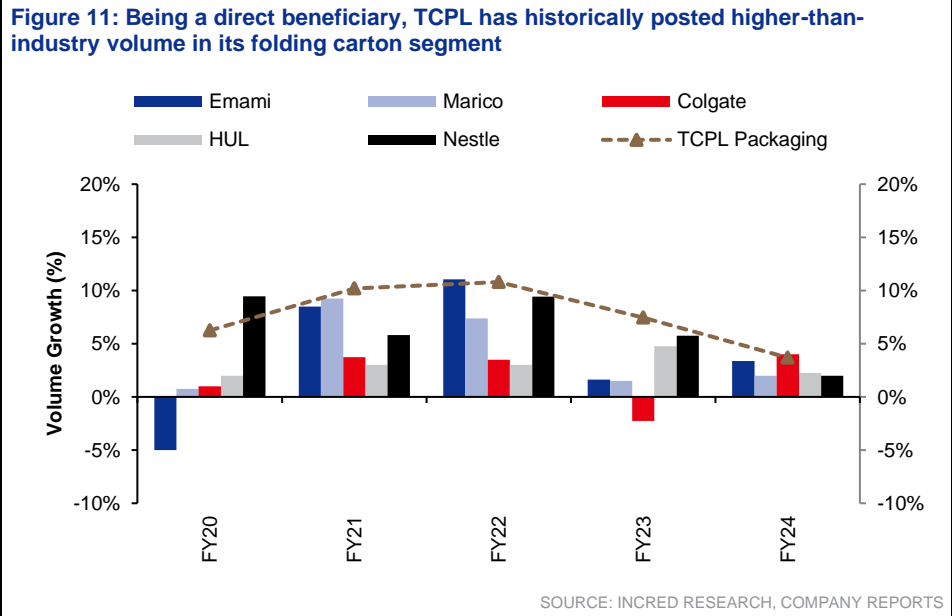
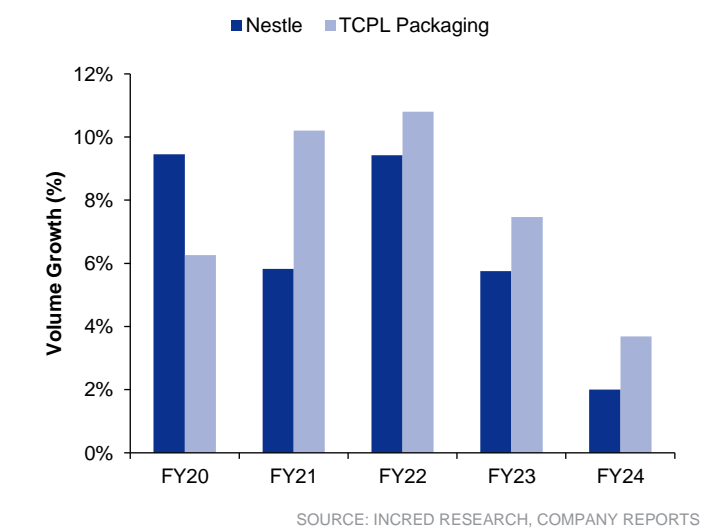
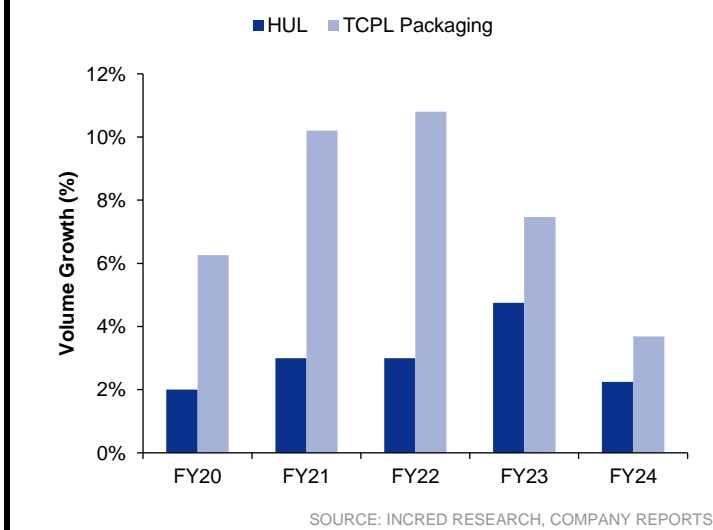


Figure 12: TCPL's volume growth trends are in line with HUL...

Figure 13: ...and Nestle India, which are large customers



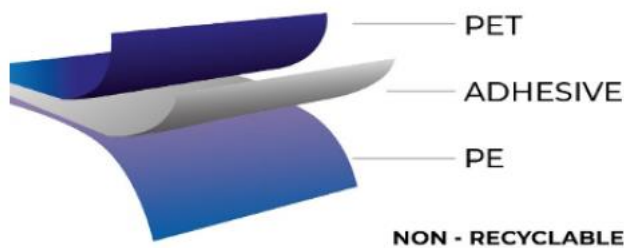
- Considering the current operating environment for the FMCG industry, where volume growth is recovering on the back of a gradual recovery in rural markets, TCPL stands to benefit from any such recovery owing to the high concentration of the FMCG industry in terms of its sales mix.
- The domestic FMCG industry is expected to grow in mid- to high-single digits in FY25F and gradually pick up steam going ahead, which augurs well for TCPL.
- Further, the company has also expanded its operations in South India, with its new facility expected to come onstream by 3QFY25F. This facility should aid in expansion of wallet share of existing customers and addition of new clients.

Focus on improving technological prowess gives it a competitive edge ➤

TCPL’s strong focus on leveraging the latest technologies gives it a competitive edge and cater to a wide range of customers and product types. TCPL typically converts raw materials (like paperboards) into finished packaging products and charges a conversion margin for the same, which can be improved with value addition and creative offerings and hence, typically imports its machinery from Italy & Germany.

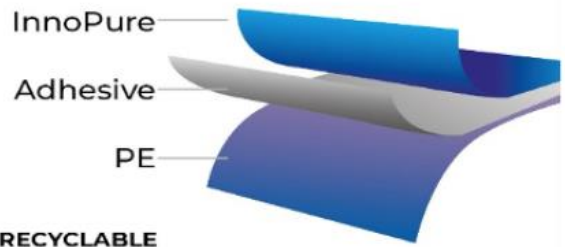
TCPL Innofilms was formed in FY21 as a subsidiary, having a state-of-the-art innovative polyethene blown film line, with equipment imported from Germany at its Silvassa facility, which allows it to create recyclable flexible packaging materials and offer value-added products to its customers. As companies have been stepping up their efforts to combat the build-up of plastic waste and improve their sustainability scores, this offering from TCPL holds a strong potential as recyclable products command better realization compared to traditional plastic products.

Figure 14: The anatomy of flexible package – non-recyclable



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Recyclable variant by TCPL Innofilms



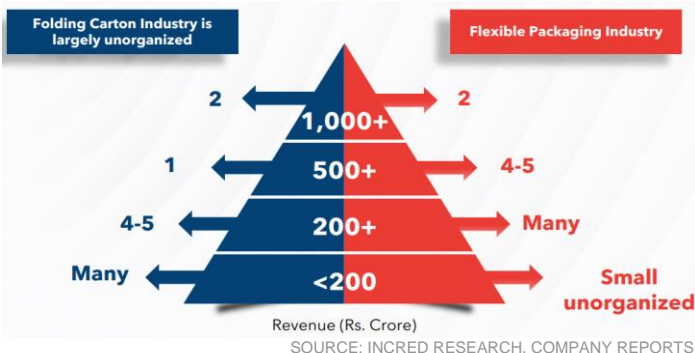
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Shift in demand from unorganized to organized players ➤

The paper and packaging industry is highly fragmented in India, with a large presence of small-scale operators who cater to customers with a lower volume requirement, which differs from the global market where the industry is dominated by larger players who offer end-to-end services.

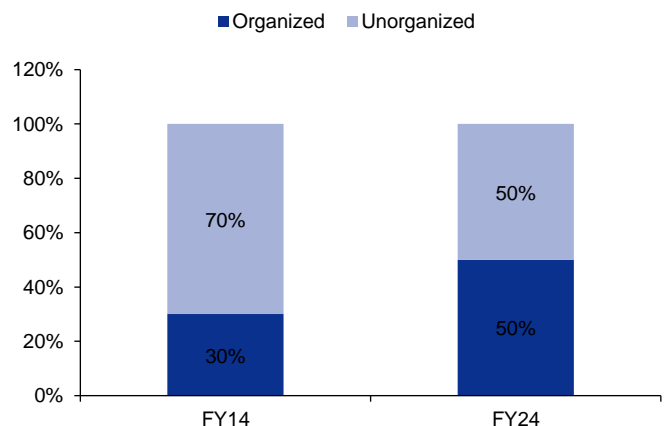
- The unorganized segment has dealt with challenges around the Goods and Services or GST rollout and demonetization followed by the Covid-19 pandemic, during which time the organized players invested in new technology and sustainable packaging solutions that led to faster growth in the organized segment in the last few years. TCPL too benefited from these disruptions.
- There has also been a shift in the sentiment of the western world, favouring a move away from nations like Russia and China, which presents a compelling opportunity for Indian exports. The ‘China + 1’ strategy, which involves shifting sole dependence from China to other countries, has been gaining traction.
- TCPL has been a beneficiary from the consolidation in the industry and is expected to maintain its growth trajectory going ahead.

Figure 16: The packaging industry in India is highly fragmented



SOURCE: INCRED RESEARCH, COMPANY REPORTS

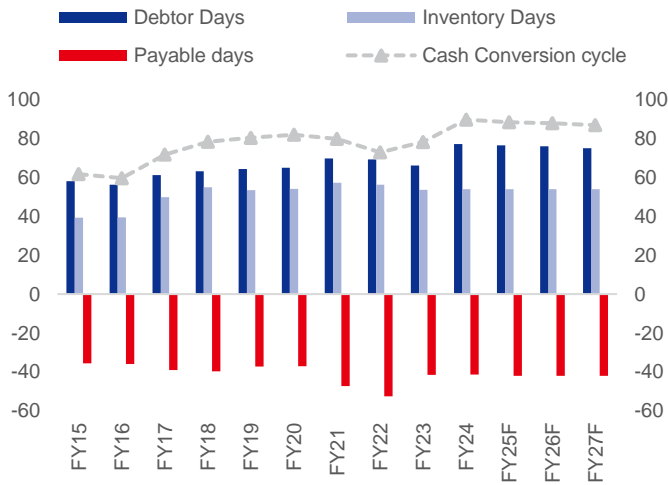
Figure 17: The share of organized players has been improving



SOURCE: INCRED RESEARCH, COMPANY REPORTS

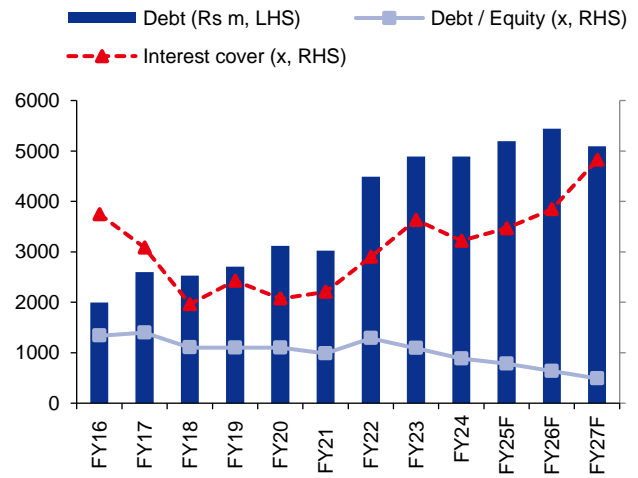
Strong balance sheet is in place for sustained growth ➔

Figure 18: The cash conversion cycle is expected to remain steady



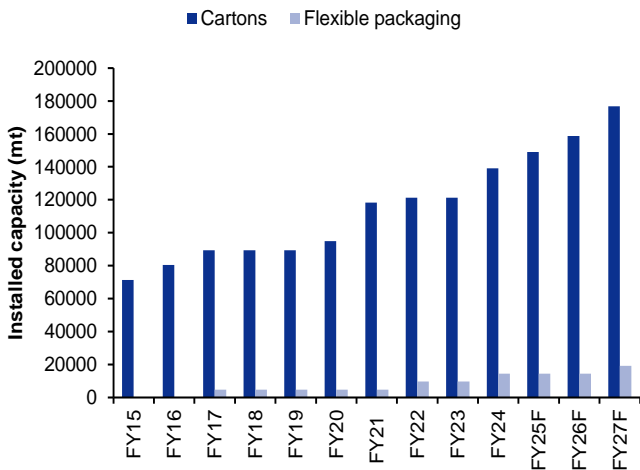
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 19: The debt-to-equity level to trend downwards



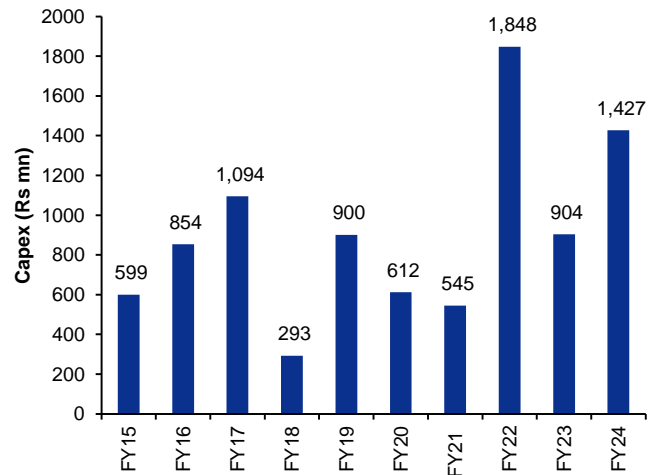
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 20: Capacities in both folding cartons and flex packaging are expected to see expansion



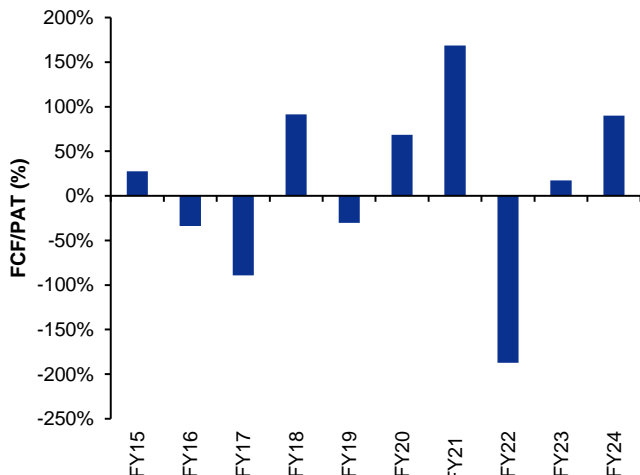
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 21: Capex intensity is expected to remain strong as the company remains focused on driving growth



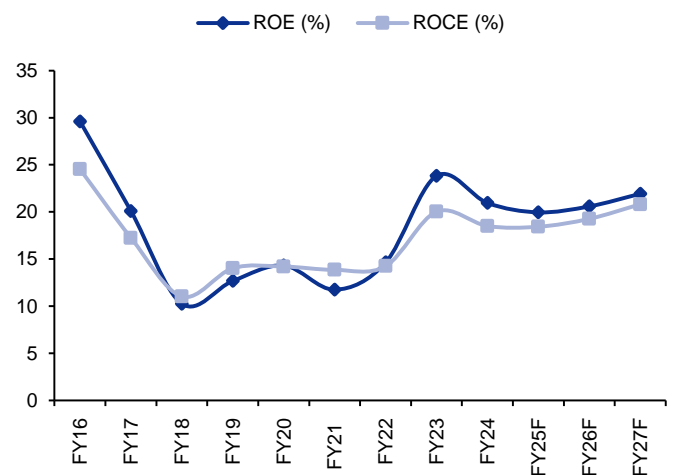
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 22: FCF/PAT expected to remain healthy



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 23: Better profitability to aid improvement in ROE



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation and view

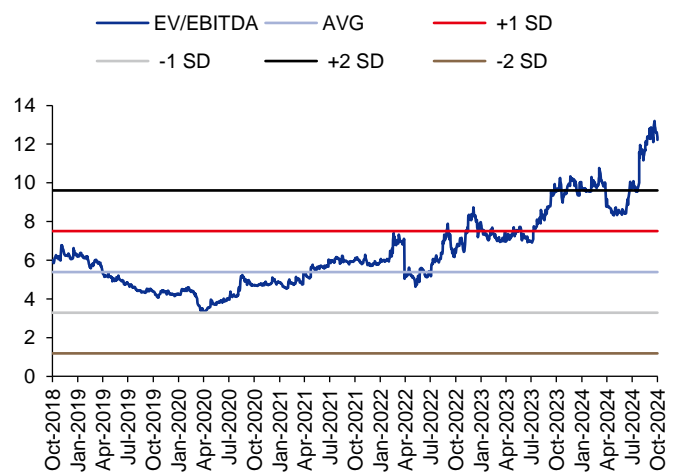
- **Strong pan-India play with expansion in South India; export momentum to remain healthy:** TCPL clocked strong revenue growth 36% yoy in FY23, which tapered down to 5% in FY24 owing slower end consumer demand and the de-cartonization trend in the liquor segment. Growth is expected to inch up going ahead led by improving the volume from its customers, aided by further expansion of capacities, like in South India, which gives it scope to tap into new customers/increase wallet share with existing ones. The strong traction in exports (now 30% of sales) is expected to continue in the medium term.
- We expect TCPL's revenue/EPS to grow at a 12%/20% CAGR over FY24-FY27F, aided by a recovery in the volume from FMCG, F&B & tobacco sectors (c.55-60% of sales) as well as healthy demand from consumer electronics and pharmaceutical industries and sustained momentum in exports. We initiate coverage on the stock with an ADD rating and a target price of Rs4,250 (22x FY27F EPS vs. 10Y/3Y historical average of 16x/20x, respectively), given the strong runway of growth, experienced management and technological capabilities.

Figure 24: TCPL's one-year forward P/E trades above its +2SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 25: TCPL's one-year forward EV/EBITDA trades above its +2SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 26: Peer valuation matrix

Company	Currency	CMP	M-cap (Rs m)	CAGR FY24-FY26F			P/E (x)			EV/EBITDA (x)			EV/Sales (x)		
				Sales	EBITDA	EPS	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F
Domestic Peers															
EPL	INR	257	81,900	10%	17%	30%	32.0	24.1	19.0	12.5	10.5	9.1	2.3	2.1	1.9
Huhtamaki India	INR	375	28,328	11%	35%	42%	28.0	19.2	13.8	16.1	11.8	8.8	1.1	1.0	0.9
Mold-Tek Packaging	INR	746	24,789	19%	26%	32%	39.4	30.1	22.7	19.7	15.4	12.4	3.6	3.0	2.6
TCPL Packaging	INR	3,278	29,863	11%	14%	17%	29.5	26.2	21.6	13.7	12.2	10.5	2.0	1.8	1.6
Domestic Average	INR						32.2	24.9	19.3	15.5	12.5	10.2	2.2	2.0	1.7
Global Peers															
Packaging Corp of America	USD	212	19,038	4%	10%	14%	23.9	19.9	18.3	12.9	11.3	10.7	2.6	2.4	2.4
International Paper Co	USD	48	16,657	7%	25%	54%	32.6	17.0	13.8	11.0	8.5	7.1	1.1	1.1	1.0
Amcor PLC	USD	11	16,116	2%	3%	6%	16.0	15.0	14.3	11.6	11.2	10.8	1.7	1.6	1.6
Graphic Packaging Holding Co	USD	29	8,589	3%	5%	9%	10.8	10.0	9.1	7.8	7.5	7.0	1.5	1.5	1.4
Sonoco Products	USD	53	5,239	17%	-15%	13%	10.6	9.2	8.3	8.0	6.5	11.2	1.3	1.1	0.9
USA Average	USD						18.8	14.2	12.8	10.3	9.0	9.4	1.6	1.5	1.5
Huhtamaki Oyj	EUR	34	3,700	4%	6%	10%	14.1	12.7	11.7	8.2	7.6	7.4	1.2	1.2	1.1
Stora Enso OYJ	EUR	12	9,379	6%	20%	42%	23.2	14.6	11.4	9.8	7.9	6.9	1.4	1.3	1.2
Europe Average	EUR						18.6	13.7	11.6	9.0	7.7	7.1	1.3	1.2	1.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Key risks

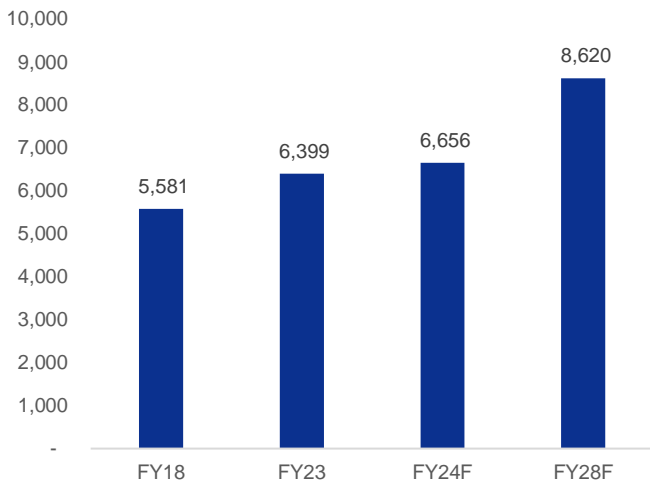
- Volatility in raw material prices and global paperboard prices.
- Higher than expected impact on margins due to gradual shift in sales mix towards flexible packaging.
- Slowdown in demand for end consumer industries impacting overall volume growth or loss of contracts from key major clientele.

Industry overview

The Indian paper industry is expected to post a 6.7% CAGR over FY24-FY28F to touch Rs8,620bn, from Rs6,656bn currently.

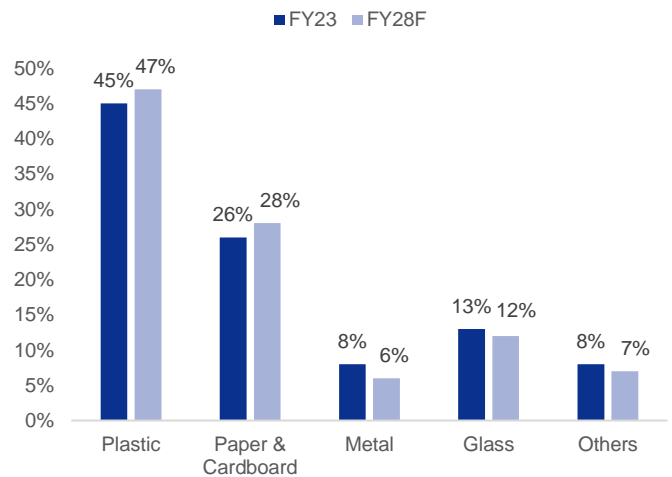
- **Low consumption in India:** The Indian population is c.15% of the world population but consumes 5% of the total paper produced in the world.
- **Share of production:** Corrugated boards accounted for a 55% share of the production in FY23, followed by writing and printing paper.
- **Global market:** The global packaging market was pegged at US\$1,160bn in CY23 and despite rising input costs and uncertain macroeconomic factors, is projected to post a CAGR of 4.3% to reach a market size of US\$1,430bn by CY28F.

Figure 27: Indian packaging industry is expected to post a 6.7% CAGR over FY24F-28F and touch Rs8,620bn



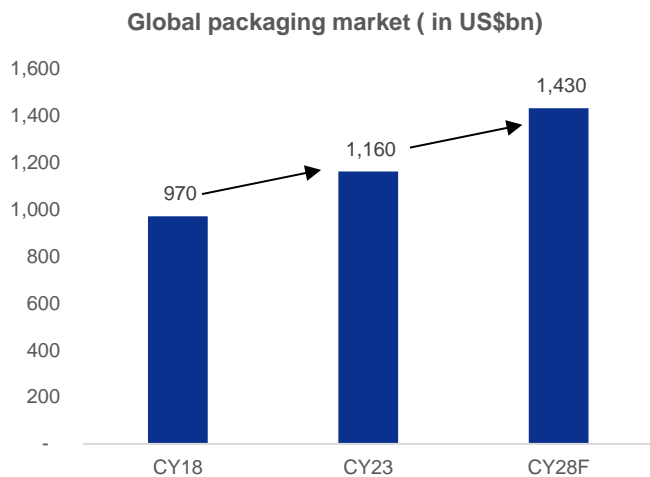
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 28: Paper & cardboard and flexible packaging (part of plastics) are expected to see an improvement in product mix



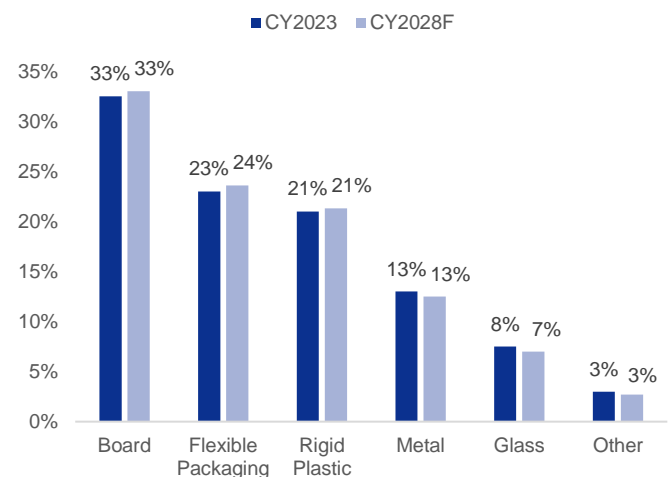
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 29: The global packaging market is expected to post a 4.3% CAGR to touch US\$1430bn by CY28F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 30: The share of flexible packaging is expected to improve by CY28F while paperboard is likely to remain flat



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Demand drivers for the industry

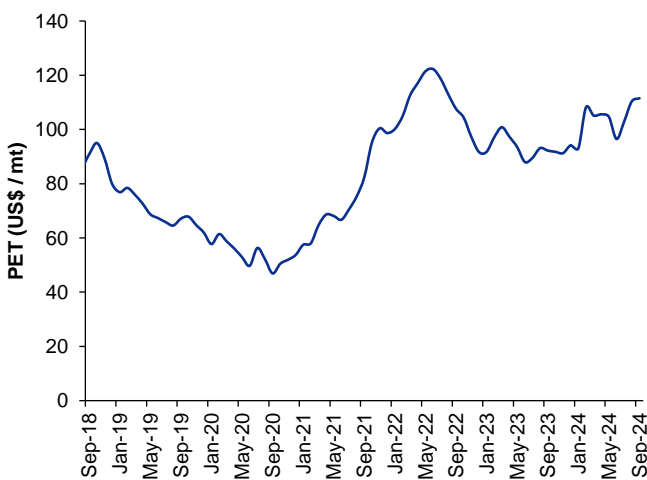
- **Low per-capita consumption:** India’s per capita consumption is roughly 14kg, well below the global average of 57kg, indicating a large headroom for consumption improvement.
- **Shift to sustainability:** There is a growing shift towards environment- friendly paper and packaging materials, especially in the FMCG industry.
- **Exports:** India’s exports to various countries including those in the Middle East, Africa, Southeast Asia and Europe, among others.
- **Changing consumer trends:** E-commerce retailing is surging in India, with formats like D2C and Quick Commerce driving additional growth.
- **Outlook:** Paperboard demand is expected to grow, fuelled by the recovery in volume from FMCG and consumer durable (better affordability, shorter replacement cycle, low penetration), readymade garments, heightened demand from pharmaceutical and e-retail sectors (expected to grow 20-25% in the next two-to-three years).

Raw materials ▶

For folding cartons, the primary raw material is paperboard, which is made of kraft paper, using a mix of wood, wastepaper and agri-residue. For flexible packaging, polyethylene (PE), polypropylene (PP), polyethylene terephthalate (PET) and polyvinyl chloride (PVC) are the most widely used raw materials for plastic packaging, with PE holding the highest share in the raw material pie.

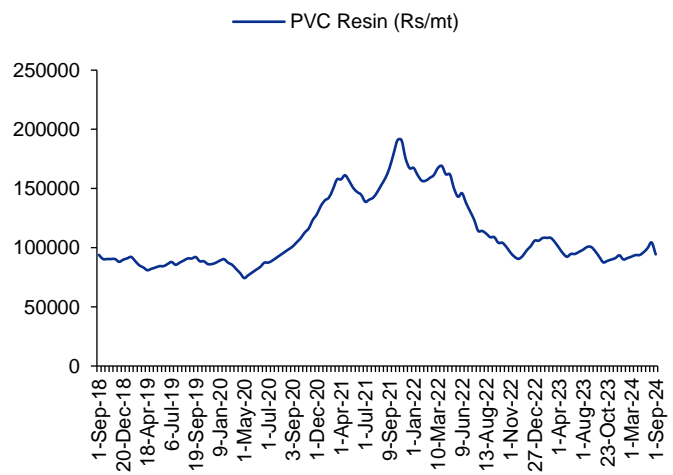
- As TCPL is a converter, volatility in raw material prices is typically passed on to its customers with a slight lag.
- TCPL procures pigments and inks from brands like Siegwerk, Huber Group and DIC for various applications in folding cartons.
- The company procures linear low-density polyethylene (LLDPE) from brands like Reliance Industries (Gujarat), Bourouge (Dubai) and Exxon Mobil (USA) for use in flexible packaging, especially blown films, which are manufactured in-house.

Figure 31: Prices of polyethylene are up 21% yoy in Sep 2024 at US\$111.5/mt



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 32: Prices of PVC (polyvinyl chloride) declined by 6% yoy to Rs94,340/mt in Sep 2024



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Company background

TCPL is a leading Indian packaging industry player ▶

TCPL Packaging (TCPL) is among the largest folding carton manufacturers and converters of paperboard in India. TCPL (publicly listed since 1990) started off supplying cartons for cigarettes and eventually diversified into the FMCG industry, bagging contracts from large players. The company also caters to other industries like pharmaceuticals, electronics, liquor and others.

Figure 33: Key clients from FMCG and F&B sectors



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 34: Key clients from pharmaceutical, electronics & other sectors



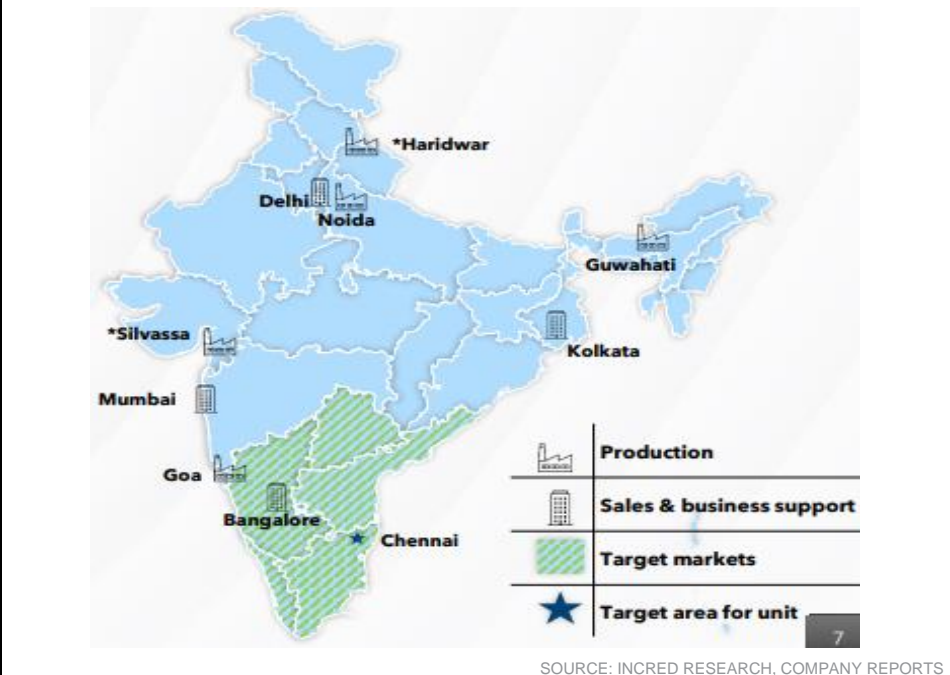
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Manufacturing footprint stretches to South India ▶

TCPL, headquartered in Mumbai, has eight manufacturing units in India spread across Silvassa, Haridwar, Guwahati, Goa and Greater Noida. One new facility has been announced in Chennai to cater to South India.

- The Silvassa plant produces both cartons and flexible packaging products while the plant in Greater Noida caters to rigid box cartons for electronics brands as well as specialty gift packaging.
- The company also has marketing offices in key metro cities in India and an office in Dubai to cater to sales in the Middle East and nearby locations.
- One new facility was announced in Chennai for folding cartons (one line) during 4QFY24. This facility is expected to be leased, with minimal infrastructure costs for TCPL, and is expected to start commercial operations in 3QFY25F.

Figure 35: Snapshot of TCPL's manufacturing and sales offices



SOURCE: INCRED RESEARCH, COMPANY REPORTS

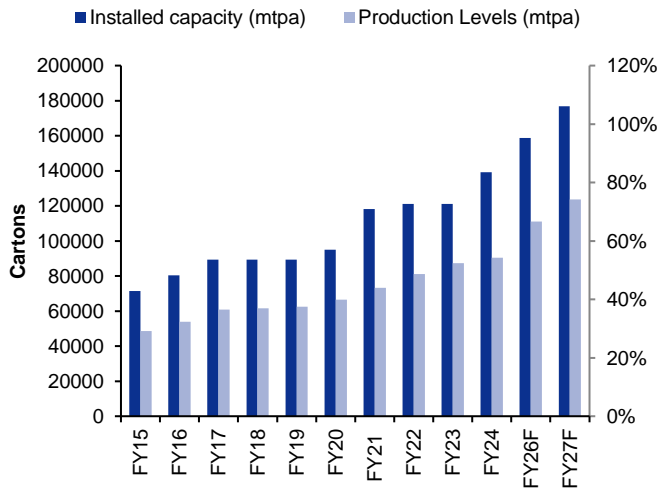
Segment-wise operations

TCPL operates across folding carton and flexible packaging products for diverse industries like FMCG, F&B, pharmaceutical, liquor, etc. While the liquor industry witnessed a decarbonization trend, other industries remain the growth vector for TCPL.

Folding cartons >

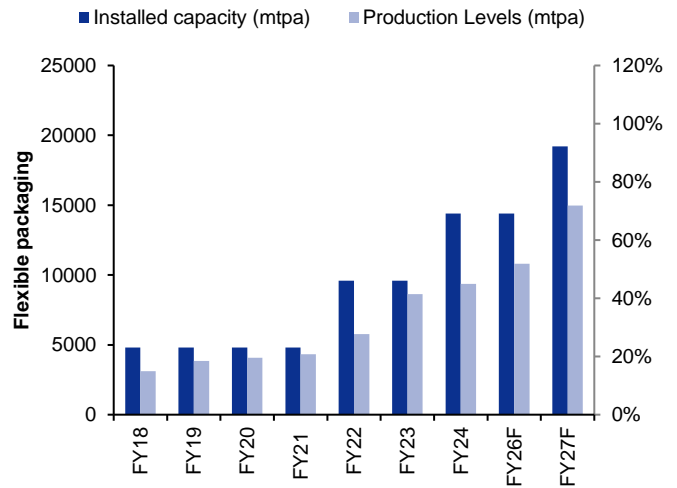
TCPL is among the leading producers of paperboard-based packaging products like folding carton, printed blank and outer and litho-laminated carton. Cartons have an 80%+ mix in the company's overall sales.

Figure 36: Carton capacity will continue to be ramped up



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 37: Flexible packaging production level is on an uptrend



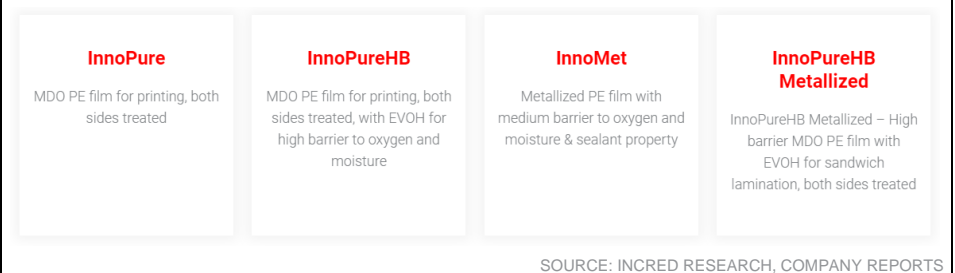
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Flexible packaging >

TCPL also provides flexible packaging products such as laminates, pouches, wrap around labels and sleeves. The company started offering flexible packaging in 2017 and has since expanded capacities multiple times, posting healthy growth in this segment.

The company had set up TCPL Innofilms Pvt Ltd, a wholly-owned subsidiary, to manufacture blown PE films which are used in creating fully recyclable mono-polymer laminate. This can aid in replacing multi-polymer, non-recyclable products that are currently used for the packaging of consumer goods and food products. In FY23, the company faced some technical challenges with respect to some of the equipment's performance, which were addressed by 4QFY24. Flexible packaging has a 15-20% share in the revenue mix and is gradually increasing, driven by the fact that flexible packaging has grown faster than folding cartons since FY18.

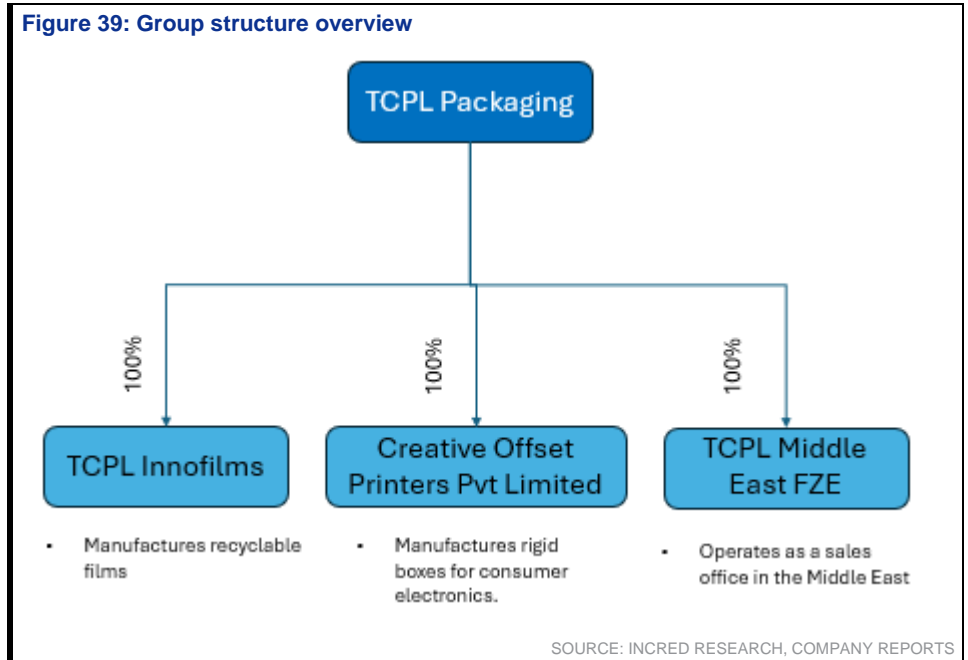
Figure 38: Product offerings under Innofilms



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Group subsidiaries ➤

Figure 39: Group structure overview



Creative Offset Printers Pvt Ltd ➤

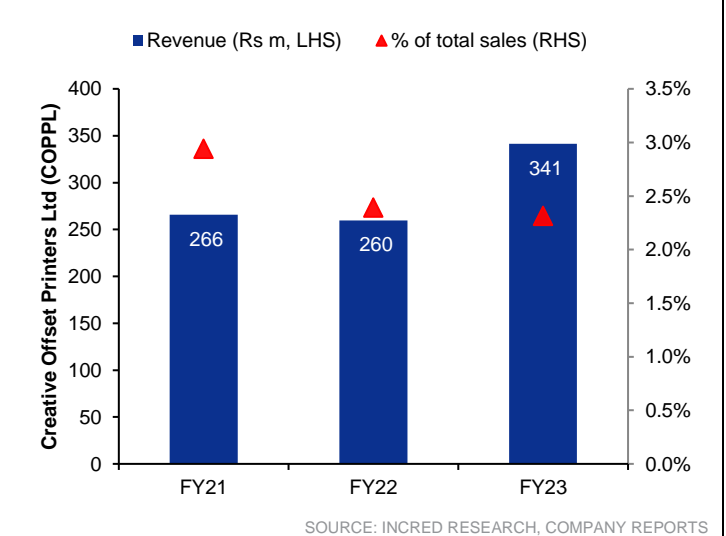
TCPL had acquired a 60% stake in Creative Offset Printers Pvt Ltd (COPPL) in Nov 2021, which is based at Greater Noida and specializes in manufacturing printed rigid boxes and leaflets for mobile phones and the consumer electronics industry.

- TCPL acquired the remaining 40% stake in Dec 2023 for a consideration of Rs21m.
- The manufacturing facility is strategically located at Noida to target the large mobile manufacturing hubs in the region.
- Some of its customers include Samsung, Nokia and Noise among others.
- The focus remains on recouping loss of share with Samsung through new customer acquisitions, which has aided in improvement in revenue between FY21 to FY23.
- Some of its recent additions include names like Boat, Noise, Reliance Jio Mobile Phones & Lava.
- The division clocked Rs341m in sales in FY23 led by addition of new customers. Going ahead, it is expected to inch up in terms of contribution to overall sales, led by increased wallet share from existing accounts and new customer additions. Management targets 3x growth over the next three years.

Figure 40: Rigid box packaging offerings under COPPL



Figure 41: Their contribution to revenue is expected to improve



TCPL Innofilms >

TCPL set up a subsidiary (100% owned) in FY21 called TCPL Innofilms to cater to the rising demand in the sustainable packaging segment.

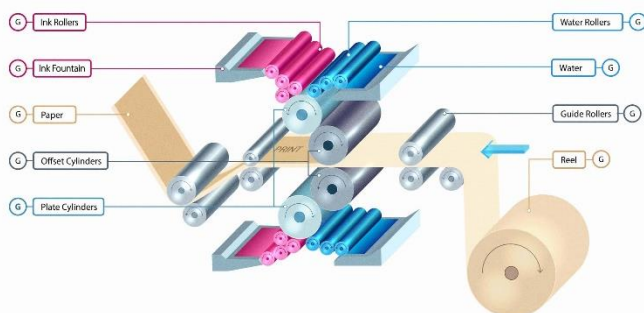
- TCPL invested in a five-layer blown film line from Reifenhauer, which comes equipped with an MDO unit-in-line.
- The plant is one of its kind, with very few peers in India having similar capabilities.
- This development will help in replacing the current multi-polymer, non-recyclable products prevalent in the market.
- **Products:** InnoPure (MDO PE film for printing), InnoPureHB (MDO PE film for printing, with EVOH for high barrier to oxygen and moisture), InnoMet (metallized PE film), and InnoPureHB Metallized (high barrier MDO PE film for sandwich lamination).
- In FY23, the company faced some technical challenges with respect to some of the equipment's performance, which were addressed by 4QFY24.
- Flexible packaging had a 15-20% share in the revenue mix in FY24 and is gradually increasing, driven by the fact that the flexible packaging business has grown faster than folding cartons since FY18.
- TCPL is in the process of merging TCPL Innofilms, its wholly-owned subsidiary, to achieve cost efficiency and synergy.
- TCPL Innofilms clocked its first revenue of Rs163m in FY23, which is 1.1% of TCPL's overall sales, and has the scope to improve its contribution as the demand for sustainable packaging improves.

Manufacturing capabilities >

TCPL is among the only few players with offset plants in all four geographies in India and is one of the pioneers of gravure printing technology in the country. The company manufactures folding cartons, printed blanks and outers, litho-lamination, plastic cartons, blister packs and shelf-ready packaging.

Offset printing: Offset printing is a popular printing press technique, which transfers ink from a plate to a rubber roller, then on to a printing surface. Offset printing or offset lithography is used for mass production of custom-printed boxes, magazines and other products due to its high-quality and low cost. All TCPL's manufacturing facilities can deliver offset packaging products and can also handle the most sophisticated requirements of fluted cartons, be it E, F, N or B Flute.

Figure 42: Offset printing process snapshot



SOURCE: INCRED RESEARCH, COMPANY REPORTS

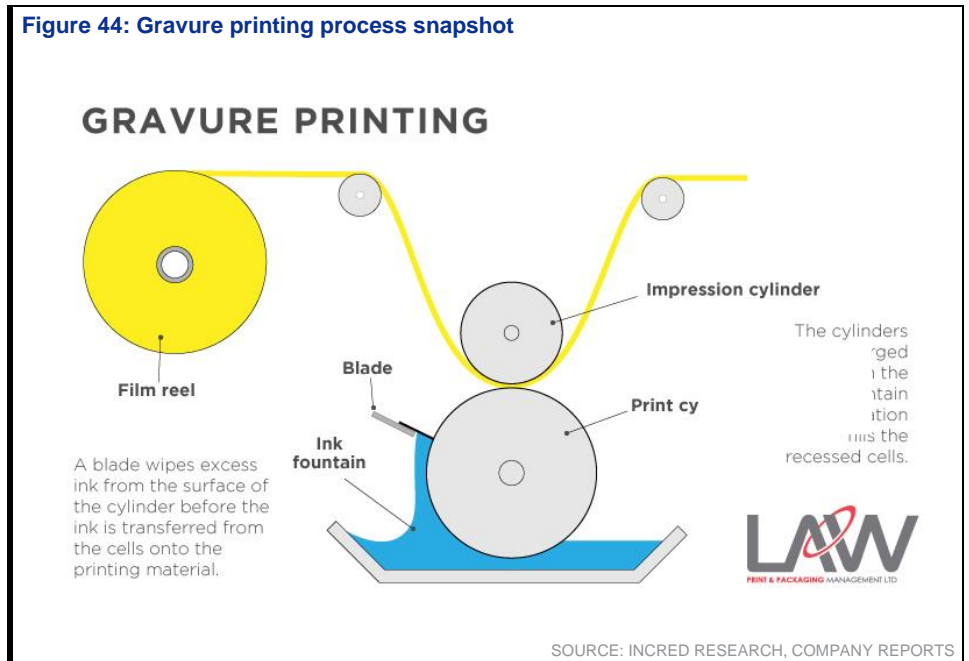
Figure 43: Digital vs. offset lithography

	Offset Lithography	Digital Printing
Printing Process	Transfer ink onto paper through rubber blanket	Prints directly on paper
Quality	Higher quality printing	Limited to 4 colour process printing
Cost	Price goes down at higher volume	Cheaper for low volume printing
Turnaround Time	Longer setup time and ink drying time	Faster turnaround time, less setup time
Customization	No variable printing due to pre-made ink plates	Different versions of variable printing allowed

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Gravure printing: Gravure printing, or rotogravure printing, is another popular form of high-volume print packaging. TCPL is a pioneer in this segment in India. Gift wrapping, magazines, wallpapers and packaging are all created using rotogravure printing.

Figure 44: Gravure printing process snapshot



Rigid box and specialty gift packaging: Rigid packaging boxes are also referred to as set-up boxes as they are usually displayed in stores along with the products they contain and often hold high-end products like electronics, jewellery and cosmetics. A rigid box normally consists of two parts: 1) a thick chipboard (c.2-3mm; 4-5x more rigid than folding carton boxes), and 2) the thinner, more flexible paper wrap that's pasted over the chipboard to cover it.

Flexible packaging: TCPL is also an innovative player in the flexible packaging industry, with the capability to produce printed cork-tipping papers, laminates, sleeves and wrap-around labels. It started offering flexible packaging in 2016-2017 by adding a capacity of 4,800mtpa at the Silvassa unit, which was doubled to 9,600mtpa in FY23.

TCPL set up a subsidiary called TCPL Innofilms in 2020, with a state-of-the-art innovative polythene blown film line at its Silvassa unit, which allows it to create recyclable films used to manufacture recyclable flexible packaging.

- TCPL Innofilms has been dealing with problems regarding its machinery and equipment for the last one year, which impacted its financial performance as production has been halted.
- The problems were rectified in FY24 and product testing for a large customer has commenced. We expect this division to aid in margin expansion going ahead due to higher realization led by a mix improvement.

Figure 45: The anatomy of flexible package – non-recyclable

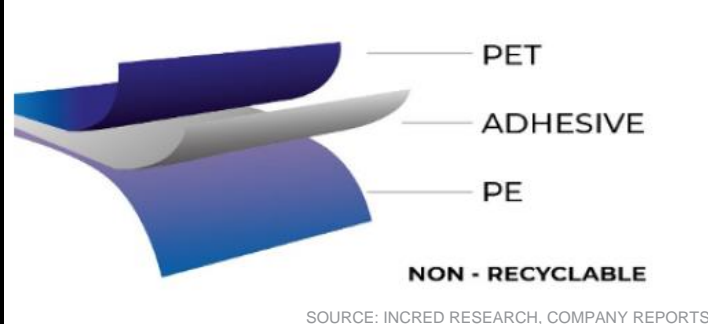
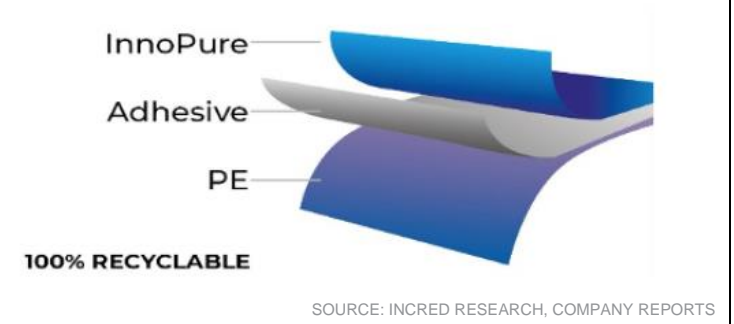


Figure 46: Recyclable variant by TCPL Innofilms



Annexure

Figure 47: List of key managerial personnel

Name	Designation	Introduction
Mr. K. K. Kanoria	Executive Chairman	Graduated from Kolkata University with Hons. in Economics and Political Science, he oversees the day-to-day activities of the company mainly in relation to policy decisions and financial matters.
Mr. Sunil Talati	Independent Director	M.Com, LL.B. and FCA, is a Senior Partner at M/s.Talati & Talati LLP, Chartered Accountants, specialized in taxation, auditing and other professional services. He is also the past president of I.C.A.I.
Mr. Sudhir Merchant	Independent Director	With a post-graduate degree of Master of Management Studies (MMS), he is an industrialist having more than 40 years of experience. He is chairman of Encore Natural Polymers Pvt. Ltd.
Mr. Atul Sud	Independent Director	He has an MBA degree from IIM Ahmedabad, and MA Economics degree. He is a senior financial services specialist and businessman entrepreneur.
Mr. Rabindra Jhunjhunwala	Independent Director	B.A., LL.B. (Hons.), partner at Khaitan & Co, a leading law firm.
Ms. Deepa Harris	Independent Director	Having over three decades of experience in escalating brands to leadership positions at the Taj Group. Currently, CEO of BrandsWeLove LLP, a firm specialized in branding and marketing consultancy.
Dr. Andreas Blaschke	Independent Director	He is a Doctor of Laws, University of Vienna and Master of Business Studies, University of Business Administration & Economics, Vienna. Has over three decades experience in the packaging industry.
Mr. Saket Kanoria	Managing Director	An MBA-Finance from George Washington University, USA, He supervises and controls the day-to-day activities of the company.
Mr. Rishav Kanoria	Director	Graduate from University of Pennsylvania, USA and post-graduate from Cornell University, New York, USA.
Mr. S.G. Nanavati	Executive Director	A chartered accountant & company secretary, he looks after finance, legal and general administration.
Mr. Akshay Kanoria	Executive Director	Graduated from University of Pennsylvania, he supervises the day-to-day activities of the company & plants and assists the managing director on various policies/initiatives and strategies of the company.
Mr. Vidur Kanoria	Executive Director	Bachelor of Science in Business Administration, Finance, Operation and Technology Management from Boston University. He supervises the day-to-day activities of the company and assists the managing director on various matters.

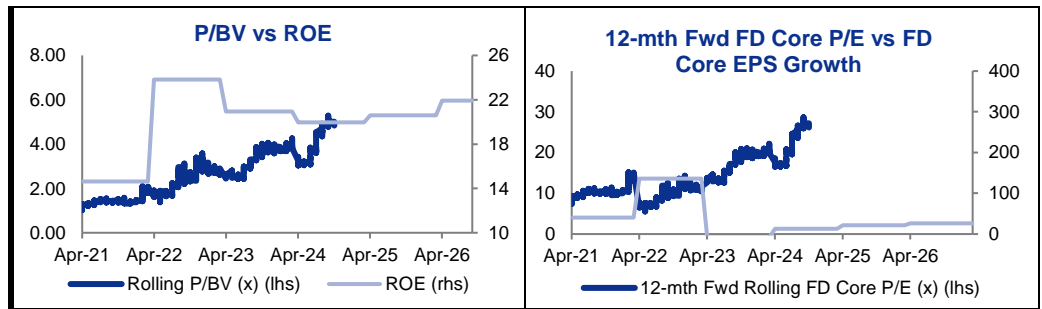
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 48: Common packaging types based on usage

Material	Packaging type	Usage
Paper & Board	Cartons, boxes, bags	Light weight, lower cost, easy disposal and availability.
Plastics	Cartons, bags, wrappers, pouches, bottles, containers, caps, pallets.	Light weight, corrosion resistance, versatility of use, attractive designs.
Aluminium	Collapsible tubes, foils, containers, cans, closures	Good barrier properties, grease & shrink proof, tasteless and odourless.
Glass	Bottles, jars and jugs	Transparent, good strength, high rigidity, gas/vapour barrier.
Tinplate	Cans, containers, caps	Strength, good barrier properties, long shelf life, reusability, ease of recycling.
Laminates (plastic/paper)	Pouches, films, tubes, bags	Strength, good barrier properties, grease resistance, heat-seal properties

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	14,749	15,414	16,856	19,061	21,910
Gross Profit	5,870	6,576	7,265	8,330	9,618
Operating EBITDA	2,360	2,514	2,837	3,288	3,829
Depreciation And Amortisation	(639)	(716)	(856)	(969)	(1,075)
Operating EBIT	1,721	1,799	1,981	2,318	2,755
Financial Income/(Expense)	(474)	(559)	(572)	(603)	(571)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	96	106	122	143	165
Profit Before Tax (pre-EI)	1,343	1,346	1,531	1,859	2,348
Exceptional Items	173				
Pre-tax Profit	1,516	1,346	1,531	1,859	2,348
Taxation	(411)	(332)	(390)	(474)	(599)
Exceptional Income - post-tax					
Profit After Tax	1,104	1,014	1,140	1,385	1,750
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,104	1,014	1,140	1,385	1,750
Recurring Net Profit	979	1,014	1,140	1,385	1,750
Fully Diluted Recurring Net Profit	979	1,014	1,140	1,385	1,750

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	2,360	2,514	2,837	3,288	3,829
Cash Flow from Invt. & Assoc.	18				
Change In Working Capital	(1,095)	123	(322)	(462)	(637)
(Incr)/Decr in Total Provisions	6	32	40	20	20
Other Non-Cash (Income)/Expense	173				
Other Operating Cashflow	470	606	534	581	524
Net Interest (Paid)/Received	(474)	(559)	(572)	(603)	(571)
Tax Paid	(365)	(377)	(390)	(474)	(599)
Cashflow From Operations	1,093	2,340	2,127	2,349	2,566
Capex	(965)	(1,423)	(1,450)	(1,250)	(1,250)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(4)	(27)	(20)	(20)	(40)
Other Investing Cashflow	70	(115)	(52)	(22)	(5)
Cash Flow From Investing	(900)	(1,565)	(1,522)	(1,292)	(1,295)
Debt Raised/(repaid)	397	5	300	250	(350)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(91)	(182)	(228)	(277)	(350)
Preferred Dividends					
Other Financing Cashflow	(524)	(584)	(560)	(593)	(535)
Cash Flow From Financing	(217)	(761)	(488)	(620)	(1,235)
Total Cash Generated	(23)	14	117	438	36
Free Cashflow To Equity	591	779	905	1,308	921
Free Cashflow To Firm	668	1,333	1,176	1,661	1,842

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	73	246	363	801	837
Total Debtors	2,954	3,449	3,550	3,982	4,532
Inventories	2,410	2,060	2,494	2,820	3,241
Total Other Current Assets	286	326	326	363	452
Total Current Assets	5,724	6,080	6,733	7,966	9,063
Fixed Assets	5,734	6,850	7,518	7,864	8,109
Total Investments					
Intangible Assets	22	48	68	88	128
Total Other Non-Current Assets	704	297	397	497	597
Total Non-current Assets	6,460	7,195	7,983	8,449	8,834
Short-term Debt	2,955	2,644	2,744	2,794	2,744
Current Portion of Long-Term Debt					
Total Creditors	1,622	1,807	1,940	2,193	2,521
Other Current Liabilities	502	566	608	667	743
Total Current Liabilities	5,079	5,017	5,291	5,654	6,008
Total Long-term Debt	1,932	2,248	2,448	2,648	2,348
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	285	294	309	317	326
Total Non-current Liabilities	2,217	2,542	2,757	2,965	2,673
Total Provisions	452	459	499	519	539
Total Liabilities	7,748	8,018	8,547	9,138	9,220
Shareholders Equity	4,418	5,257	6,170	7,277	8,677
Minority Interests	18				
Total Equity	4,435	5,257	6,170	7,277	8,677

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	35.8%	4.5%	9.4%	13.1%	14.9%
Operating EBITDA Growth	52.3%	6.5%	12.8%	15.9%	16.5%
Operating EBITDA Margin	16.0%	16.3%	16.8%	17.2%	17.5%
Net Cash Per Share (Rs)	(529.00)	(510.56)	(530.65)	(510.01)	(467.59)
BVPS (Rs)	485.45	577.72	677.98	799.72	953.52
Gross Interest Cover	3.63	3.22	3.47	3.84	4.82
Effective Tax Rate	27.1%	24.7%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio	19.5%	19.7%	20.0%	20.0%	20.0%
Accounts Receivables Days	64.73	75.81	75.77	72.11	70.92
Inventory Days	87.25	92.30	86.65	90.37	90.00
Accounts Payables Days	67.52	70.80	71.29	70.29	70.00
ROIC (%)	17.2%	16.9%	16.8%	18.2%	20.0%
ROCE (%)	20.0%	18.5%	18.4%	19.3%	20.8%
Return On Average Assets	12.3%	12.4%	12.2%	12.8%	13.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.