

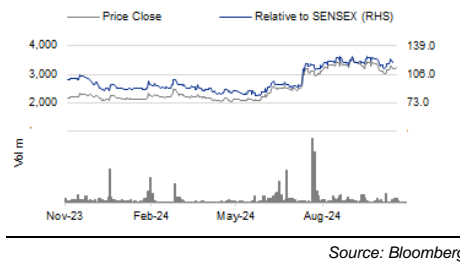
India

**ADD** (no change)

Consensus ratings*:	Buy 2	Hold 0	Sell 0
Current price:	Rs3,251		
Target price:	Rs4,250		
Previous target:	Rs4,250		
Up/downside:	30.7%		
InCred Research / Consensus:	0.0%		
Reuters:	TCPL.BO		
Bloomberg:	TCPL IN		
Market cap:	US\$407m		
	Rs29,583m		
Average daily turnover:	US\$0.6m		
	Rs40.2m		
Current shares o/s:	9.1m		
Free float:	44.3%		
<small>*Source: Bloomberg</small>			

**Key changes in this note**

- Raise FY25F revenue/EPS by 1.4%/2.5%.



Price performance	1M	3M	12M
Absolute (%)	(4.8)	4.6	50.8
Relative (%)	(2.5)	4.9	23.1

Major shareholders	% held
Promoter	55.7
DSP	7.1
HDFC AMC	0.5

**Research Analyst(s)**



**Nishant BAGRECHA**  
T (91) 22 4161 1564  
E nishant.bagrecha@incredresearch.com

**Rohan KALLE**  
T (91) 22 4161 1561  
E rohan.kalle@incredresearch.com

**Saurabh SINGH**  
T (91) 2241611558  
E saurabh.singh@incredresearch.com

# TCPL Packaging Ltd

## Strong delivery in 1H; momentum to sustain

- TCPL Packaging posted 14% yoy (+14.1% qoq) sales growth in 2Q led by strong momentum in export business and c.8% growth in domestic business.
- Export contribution continues to rise, as per our estimate, settling at 35% of 1HFY25 sales (vs. 32%/30% salience in 1HFY24/FY24, respectively).
- We retain our ADD rating on TCPL Packaging with an unchanged target price of Rs4,250 (22x FY27F EPS) and it remains our high-conviction stock idea.

### Strong performance in 1HFY25; momentum expected to sustain

TCPL Packaging (or TCPL) delivered a strong 14% yoy (+14.1% qoq) sales growth in 2QFY25, beating our estimate by 6%. The growth was led by strong momentum in the export business and a recovery in domestic growth. We estimated domestic sales to grow 8% yoy in 2Q and 6.4% yoy in 1HFY25 (decline of 2.9%/2% yoy in 1HFY24/FY24, respectively, on account of weakness in the domestic FMCG sector), which was aided by double-digit growth of its subsidiary Creative Offset Packaging Pvt Ltd (COPPL), which has a large headroom to grow. Considering that the domestic FMCG industry's growth remains subdued (55-60% of TCPL's sales), gradually improving volumes bodes well for TCPL. The utilization level in folding cartons remained healthy and its new facility in Chennai is expected to commence operations in 3QFY25F. This facility can add Rs700-800m to TCPL's topline but will take 6-12 months to reach the optimum level of utilization.

### Export salience improves; subsidiaries witness gradual growth

TCPL's export business has been picking up steam over the last few years, with exports growing 26% yoy to Rs1.6bn in 2QFY25, as per our estimate, implying a salience of 36% to overall sales. As of 1HFY25-end, exports are estimated at 35% of sales (vs. 32%/30% in 1HFY24/FY24, respectively). We expect this momentum to sustain in the medium term, as TCPL continues to add new customers and increase its wallet share with existing clients.

### Improvement in mix provides margin comfort

Gross margin expanded by 120bp yoy (-80bp qoq) to 16.6%. EBITDA grew 18.1% yoy to Rs769m, 3% above our estimate of Rs750m. The EBITDA margin stood at 16.6%, up 60bp yoy (-98bp qoq). Raw material prices are expected to remain stable in the near term. We expect TCPL to clock 15%/20% EBITDA/EPS CAGR over FY24-FY27F.

### Reiterate ADD rating with an unchanged target price of Rs4,250

We believe TCPL is in a strong position compared to the industry, led by structural improvement in the export business and a gradually improving domestic market, which was subdued last year. Gradually improving utilization levels from its subsidiary COPPL (which manufactures rigid boxes for consumer electronics; higher margin profile vs. core folding cartons) gives further margin comfort. We maintain our ADD rating on TCPL with an unchanged target price of Rs4,250 (22x FY27F EPS). Downside risk: Slowdown in export growth momentum.

### Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	14,749	15,414	17,086	19,210	22,073
Operating EBITDA (Rsm)	2,360	2,514	2,875	3,313	3,858
Net Profit (Rsm)	1,104	1,014	1,169	1,404	1,750
Core EPS (Rs)	107.5	111.4	128.5	154.3	192.3
Core EPS Growth	108.8%	3.6%	15.3%	20.1%	24.7%
FD Core P/E (x)	26.79	29.18	25.30	21.07	16.90
DPS (Rs)	10.0	23.7	22.0	25.7	30.9
Dividend Yield	0.62%	0.68%	0.79%	0.95%	1.18%
EV/EBITDA (x)	14.58	13.61	11.98	10.33	8.77
P/FCFE (x)	50.04	37.95	33.55	21.99	32.20
Net Gearing	108.5%	88.4%	78.4%	63.4%	48.8%
P/BV (x)	6.70	5.63	4.78	4.04	3.39
ROE	25.0%	21.0%	20.4%	20.8%	21.8%
% Change In Core EPS Estimates			2.52%	1.38%	0.04%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Strong delivery in 1H; momentum to sustain

Figure 1: Quarterly results summary - consolidated

Rs m	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
<b>Revenue</b>	<b>4,060</b>	<b>4,056</b>	<b>4,626</b>	14.0	14.1	<b>7,773</b>	<b>8,682</b>	11.7
<b>Expenditure</b>	<b>3,408</b>	<b>3,342</b>	<b>3,857</b>	13.2	15.4	<b>6,508</b>	<b>7,199</b>	10.6
Consumption of RM	2,353	2,268	2,625	11.6	15.7	4,489	4,893	9.0
as % of sales	58.0%	55.9%	56.7%			57.7%	56.4%	
Employee costs	364	410	423	16.0	3.0	722	833	15.4
as % of sales	9.0%	10.1%	9.1%			9.3%	9.6%	
Other expenditure	691	663	810	17.2	22.1	1,297	1,473	13.5
as % of sales	17.0%	16.3%	17.5%			16.7%	17.0%	
<b>EBITDA</b>	<b>651</b>	<b>714</b>	<b>769</b>	18.1	7.7	<b>1,265</b>	<b>1,483</b>	17.2
Depreciation	182	187	191	4.8	2.2	345	378	9.6
<b>EBIT</b>	<b>469</b>	<b>527</b>	<b>578</b>	23.2	9.6	<b>920</b>	<b>1,105</b>	20.1
Other income	28	16	6	-77.2	-61.2	33	23	-32.3
Interest	131	130	138	5.6	6.2	267	269	0.8
<b>PBT</b>	<b>366</b>	<b>413</b>	<b>446</b>	21.9	7.9	<b>687</b>	<b>859</b>	25.1
Total tax	73	96	91	24.3	-5.5	158	187	18.0
<b>Adjusted PAT</b>	<b>293</b>	<b>317</b>	<b>355</b>	21.3	12.0	<b>529</b>	<b>673</b>	27.2
(Profit)/loss from JVs/Ass./MI	-0.3	0.0	0.0	NA	NA	-2.1	0.0	NA
<b>APAT after MI</b>	<b>293</b>	<b>317</b>	<b>355</b>	21.5	12.0	<b>527</b>	<b>673</b>	27.7
Extraordinary items	0	0	0	NA	NA	0	0	NA
<b>Reported PAT</b>	<b>293</b>	<b>317</b>	<b>355</b>	21.5	12.0	<b>527</b>	<b>673</b>	27.7
<b>Adj. EPS</b>	<b>32.2</b>	<b>34.9</b>	<b>39.0</b>	21.3	12.0	<b>58.1</b>	<b>73.9</b>	27.2
<b>Margins (%)</b>	<b>2QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>	<b>(bp)</b>	<b>(bp)</b>	<b>1HFY24</b>	<b>1HFY25</b>	<b>(bp)</b>
Gross margin	42.0	44.1	43.3	120	-80	42.3	43.6	140
EBITDA	16.0	17.6	16.6	60	-100	16.3	17.1	80
EBIT	11.6	13.0	12.5	90	-50	11.8	12.7	90
EBT	9.0	10.2	9.6	60	-50	8.8	9.9	110
PAT	7.2	7.8	7.7	50	-10	6.8	7.7	100
Effective tax rate	19.9	23.2	20.3	40	-290	23.0	21.7	-130

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

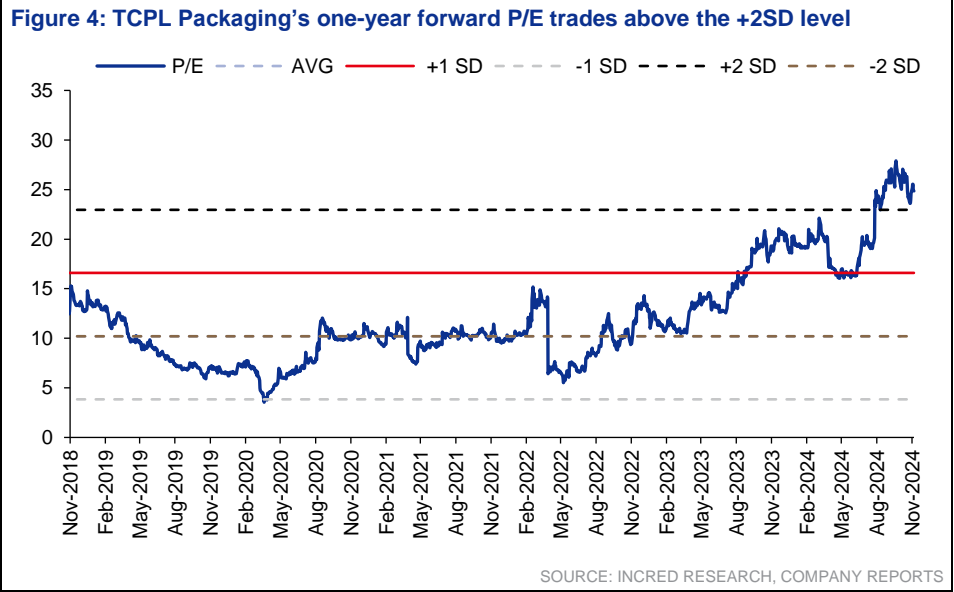
Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	16,856	17,086	1.4	19,061	19,210	0.8	21,910	22,073	0.7
EBITDA	2,837	2,875	1.3	3,288	3,313	0.8	3,829	3,858	0.8
EBITDA Margin (%)	16.8%	16.8%	0bp	17.2%	17.2%	0bp	17.5%	17.5%	0bp
Net Profit	1,140	1,169	2.6	1,385	1,404	1.4	1,750	1,750	0.0
EPS	125.3	128.5	2.5	152.2	154.3	1.4	192.3	192.3	0.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

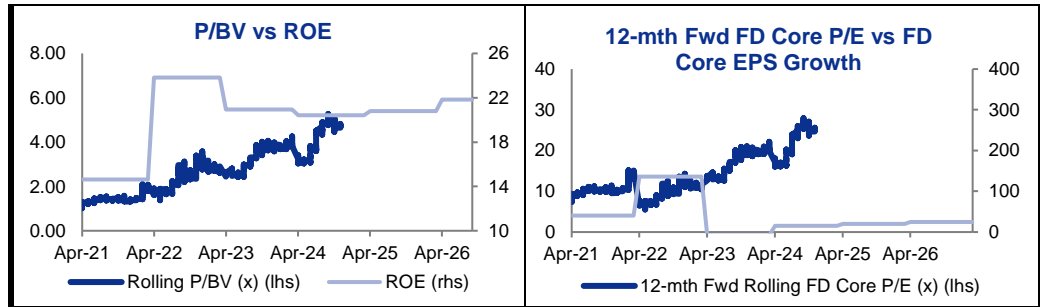
Figure 3: Peer valuation summary

Company	CMP	M-Cap (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	
<b>Domestic Peers</b>	<b>Currency</b>														
EPL	INR	253	80,508	10%	17%	30%	31.5	23.6	18.6	12.3	10.3	9.0	2.2	2.0	1.8
Huhtamaki India	INR	285	21,528	11%	50%	55%	31.7	21.0	13.2	17.0	11.0	7.6	0.8	0.7	0.6
Mold-Tek Packaging	INR	695	23,094	17%	22%	27%	36.7	30.6	22.9	18.4	15.1	12.3	3.4	2.9	2.5
TCPL Packaging	INR	3,251	29,583	12%	15%	18%	28.7	24.9	20.7	13.4	11.8	10.2	2.0	1.8	1.6
<b>Domestic Average</b>	<b>INR</b>						<b>32.1</b>	<b>25.0</b>	<b>18.9</b>	<b>15.3</b>	<b>12.1</b>	<b>9.8</b>	<b>2.1</b>	<b>1.9</b>	<b>1.6</b>
<b>Global Peers</b>	<b>Currency</b>	<b>CMP</b>	<b>M-Cap (m)</b>												
Packaging Corp of America	USD	242	21,727	5%	11%	16%	26.6	21.7	19.8	14.2	12.3	11.6	2.8	2.7	2.6
International Paper Co	USD	58	20,028	9%	31%	73%	45.6	18.9	15.2	12.7	8.4	7.4	1.3	1.2	1.1
Amcor PLC	USD	10	14,894	2%	4%	7%	14.8	13.9	13.0	11.0	10.6	10.2	1.6	1.6	1.5
Graphic Packaging Holding Co	USD	30	8,886	2%	5%	8%	11.7	11.0	10.1	8.4	8.1	7.6	1.6	1.6	1.5
Sonoco Products	USD	51	5,012	16%	-4%	10%	10.0	9.0	8.2	7.9	6.4	8.5	1.3	1.0	0.9
<b>USA Average</b>	<b>USD</b>						<b>21.8</b>	<b>14.9</b>	<b>13.3</b>	<b>10.8</b>	<b>9.2</b>	<b>9.1</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>
Huhtamaki Oyj	EUR	37	4,028	4%	6%	10%	15.6	14.0	12.9	8.6	8.1	7.7	1.3	1.3	1.2
Stora Enso OYJ	EUR	10	7,977	6%	21%	47%	23.3	14.4	10.7	9.7	7.9	6.7	1.3	1.2	1.2
<b>Europe Average</b>	<b>EUR</b>						<b>19.4</b>	<b>14.2</b>	<b>11.8</b>	<b>9.2</b>	<b>8.0</b>	<b>7.2</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	14,749	15,414	17,086	19,210	22,073
<b>Gross Profit</b>	5,870	6,576	7,364	8,395	9,690
<b>Operating EBITDA</b>	2,360	2,514	2,875	3,313	3,858
Depreciation And Amortisation	(639)	(716)	(856)	(969)	(1,075)
<b>Operating EBIT</b>	1,721	1,799	2,019	2,344	2,783
Financial Income/(Expense)	(474)	(559)	(572)	(603)	(598)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	96	106	122	143	164
<b>Profit Before Tax (pre-EI)</b>	1,343	1,346	1,569	1,884	2,349
Exceptional Items	173				
<b>Pre-tax Profit</b>	1,516	1,346	1,569	1,884	2,349
Taxation	(411)	(332)	(400)	(481)	(599)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	1,104	1,014	1,169	1,404	1,750
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	1,104	1,014	1,169	1,404	1,750
Recurring Net Profit	979	1,014	1,169	1,404	1,750
<b>Fully Diluted Recurring Net Profit</b>	979	1,014	1,169	1,404	1,750

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	2,360	2,514	2,875	3,313	3,858
Cash Flow from Invt. & Assoc.	18				
Change In Working Capital	(1,095)	123	(374)	(444)	(640)
(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)	(598)
Tax Paid	(365)	(377)	(400)	(481)	(599)
<b>Cashflow From Operations</b>	1,093	2,340	2,104	2,387	2,564
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)
<b>Cash Flow From Investing</b>	(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)	(234)	(281)	(350)
Preferred Dividends					
Other Financing Cashflow	(524)	(584)	(560)	(593)	(535)
<b>Cash Flow From Financing</b>	(217)	(761)	(493)	(624)	(1,235)
Total Cash Generated	(23)	14	88	472	34
<b>Free Cashflow To Equity</b>	591	779	882	1,345	919
<b>Free Cashflow To Firm</b>	668	1,333	1,153	1,698	1,867

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	73	246	334	806	839
Total Debtors	2,954	3,449	3,598	4,013	4,566
Inventories	2,410	2,060	2,528	2,842	3,266
Total Other Current Assets	286	326	331	366	456
<b>Total Current Assets</b>	<b>5,724</b>	<b>6,080</b>	<b>6,791</b>	<b>8,027</b>	<b>9,126</b>
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
<b>Total Non-current Assets</b>	<b>6,460</b>	<b>7,195</b>	<b>7,983</b>	<b>8,449</b>	<b>8,834</b>
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	1,966	2,210	2,540
Other Current Liabilities	502	566	616	672	748
<b>Total Current Liabilities</b>	<b>5,079</b>	<b>5,017</b>	<b>5,326</b>	<b>5,676</b>	<b>6,032</b>
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
<b>Total Non-current Liabilities</b>	<b>2,217</b>	<b>2,542</b>	<b>2,757</b>	<b>2,965</b>	<b>2,673</b>
Total Provisions	452	459	499	519	539
<b>Total Liabilities</b>	<b>7,748</b>	<b>8,018</b>	<b>8,582</b>	<b>9,160</b>	<b>9,244</b>
Shareholders Equity	4,418	5,257	6,193	7,316	8,716
Minority Interests	18				
<b>Total Equity</b>	<b>4,435</b>	<b>5,257</b>	<b>6,193</b>	<b>7,316</b>	<b>8,716</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	35.8%	4.5%	10.8%	12.4%	14.9%
Operating EBITDA Growth	52.3%	6.5%	14.4%	15.2%	16.4%
Operating EBITDA Margin	16.0%	16.3%	16.8%	17.2%	17.5%
Net Cash Per Share (Rs)	(529.00)	(510.56)	(533.84)	(509.49)	(467.40)
BVPS (Rs)	485.45	577.72	680.51	803.93	957.79
Gross Interest Cover	3.63	3.22	3.53	3.89	4.65
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	75.27	72.31	70.93
Inventory Days	87.25	92.30	86.12	90.61	90.01
Accounts Payables Days	67.52	70.80	70.83	70.48	70.01
ROIC (%)	17.2%	16.9%	17.0%	18.3%	20.1%
ROCE (%)	20.0%	18.5%	18.8%	19.4%	20.9%
Return On Average Assets	12.3%	12.4%	12.4%	12.8%	13.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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<b>Stock Ratings</b>	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>	
<b>Sector Ratings</b>	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.
<b>Country Ratings</b>	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.