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17.06.2020

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 Investors Conference call

This is further to our letter dated 11.06.2020 wherein we had given an advance intimation of the upcoming schedule of conference call to be held on Monday, 15.06.2020 at 04:00 p.m. (IST), in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In the said connection please find attached the transcript of Investors Conference Call. The transcript of the conference call is also been posted on the Company's website at www.tcpl.in.

Kindly take the same on record and acknowledge the receipt.

Thanking You

For **TCPL Packaging Limited**

Compliance Officer

Encl. As above



“TCPL Packaging Limited
Q4 FY2020 Earnings Conference Call”

June 15, 2020



ANALYST:

**MR. VIPUL SANGHVI - SYSTEMATIX INSTITUTIONAL
EQUITIES**

MANAGEMENT:

**MR. SAKET KANORIA – MANAGING DIRECTOR-
TCPL PACKAGING LIMITED**



*TCPL Packaging Limited
June 15, 2020*

Moderator: Ladies and gentlemen, good day and welcome to TCPL Packaging Limited Q4 FY2020 Earnings Conference Call hosted by Systematix Institutional Equities. 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. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Vipul Sanghvi from Systematix Institutional Equities. Thank you and over to you Sir!

Vipul Sanghvi: Thank you and good evening to all the participants. On behalf of Systematix, I welcome the management of TCPL Packaging. We have with us Mr. Saket Kanoria, the Managing Director., Without much ado I will let Mr. Kanoria start with his opening remarks and after we will open the floor for question and answer. Over to you Mr. Kanoria!

Saket Kanoria: Thank you Mr. Sanghvi. It is my pleasure to present our performance for the year ended March 31, 2020 which was announced in our board meeting last week. I thank you everyone for participating on this call and taking your time off your busy schedule.

As you may have seen from our results, we have ended, March 2020 with topline Rs.870 Crores that is the net sale and a gross sale of Rs.890 Crores which represented a growth of almost 9.3% over the previous year. You may recall that the previous year we had grown 17% over the year ended March 2018, so over the last couple of years we have brought our growth back on track which we had suffered on the year of demonetization in 2016-2017.

This year unfortunately we lost the last eight days because of the COVID shutdown the government the national lockdown on March 24, 2020 but before that even we lost on the March 22, 2020 under Janata Curfew and normally at the end of a financial year it is a very hectic time for us as well as our customers and it is not that we lose eight days out of 31 days of March which is let us say 25% but in reality we will kind of lose 35% of the March revenue so we were very confident of crossing a net sale of Rs.900 Crores but unfortunately we had to settle for Rs.870 Crores and if we have done Rs.900 Crores then our growth would have been in about 13% or 14%.

Apart from that the other good development was that our EBITDA margin which over the last couple of years have been improving, has shown a further increase in the current year. We ended up with 14.7% margin as opposed to 13.28% in the previous year which you will appreciate that in a year in which the country’s overall GDP has slowed and the demand has been relatively slow we have been able to achieve mainly on account of tighter costs as well as better raw material pricing.

Besides that the effect of COVID in our last conference call also we had covered it after we had presented the third quarter that this is a very big unknown at that point of time India was not really affected by it but subsequently all the state governments as well as the central government have taken various steps so we are still fighting through it and I think I had given our team an

option that either we are going to be a loser or a winner and I think that we have done reasonably well during this two-and-a-half months of Corona problem and you will see in July when we will declare the June results but overall it is not as bad as we thought it could be. So without getting into any further points, I would like to listen from you all any questions and then while I address them I guess otherwise it would be a duplication of what I need to say and so I keep the floor for your valuable questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rukun Tarachandani from Kotak Asset Management. Please go ahead.

Rukun Tarachandani: Thank you for taking my questions. The first question is on the capex in the earlier call you had highlighted some of the capex plans that you envisaged over the coming year in light of COVID and consequently banks also being risk averse is there any change in the capex plans and as of now what is the amount that you foresee for capex for next year?

Saket Kanoria: Thank you, Mr. Tarachandani. We had plan to expand our flexible operations as well as add another offset line in the current year but we are going slow a) because the construction work of our flexible additional building could not take place as planned due to this COVID shutdown and now are going to be hit by the monsoon so we have decided to only commence that in post monsoon in September which means that we are deferring the entire rollout of that to next financial year and apart from that in our folding carton business we do not envisage any major capex in the current year except some balancing equipment and some finishing of some building work etc. so overall in the current financial year I would expect significant reduction in the capex plan and we are only going to do where financial closures has also already taken place and it will be in the tune of Rs.30 to Rs.40 Crores versus the Rs.70 to Rs.80 Crores figure which we had only envisaged.

Rukun Tarachandani: On the raw material situation both on the paper boat side and the flexible side if you can highlight how is the raw material pricing and consequently how has been your ability to pass on the same to clients?

Saket Kanoria: After COVID hit initially there was a tremendous panic in the market because of the shortage of pulp and waste paper in international markets but then the paper mills have realized that the demand for their products as a whole is not that great so they had taken up price increases in late March, early April and they were quickly reversed in May. So we have not got impacted on account of that and pricing on paper boat side at least is similar to what it was pre-COVID. As far as flexible is concerned, there is small amounts up and down but net debt there is a small reduction in fact on polyester and BOPP so overall, we are not yet impacted on raw material front but what happens when the entire business is back remains to be seen because there are certain shortfalls in the supply chain of our suppliers so there could be some temporary increases but the trend is not suggesting any major shift in raw material costing.

Rukun Tarachandani: Great on the working capital situation on the receivables are you seeing any delays in payments or any confirms on that end that you might have either an increase in receivable days or probably the situation of bad debts or anything on that sort?

Saket Kanoria: Fortunately, TCPL has a very good quality customers and bulk of our business is restricted to amongst the better FMCG companies in India, most of them are FMCGs like Unilever and Nestle etc., so there we do not see any challenges some of the smaller customers who are small percentage of our business certainly there are delays due to their offices being locked out etc., but we are not envisaging any bankruptcies or anything like that amongst them, they are all pretty solid companies and whatever conversation we are having with them they are seeking some time but these are also for relatively smaller amounts so as of now we do not have much of a concern. As far as the rest of the working capital is concerned it is pretty much normal, our suppliers all functioning and our inventory levels are normal there is no change as such in that.

Rukun Tarachandani: Thanks. One last question, if you can elaborate on the exports for demand have you been able to gain market share or their opportunities to gain market share in this environment in the exports and overall how do you see that piece going forward?

Saket Kanoria: We are doing quite significant export. Last year, we have grown our export in fact 20-odd percent so we have done well and this year also we see that we will grow export but the rest of the world is also hit by COVID so it is not that the demand outside India is growing at a faster pace than it is in India but structurally I guess your question is whether there will be more opportunities for export from India so there has been this conversation that people would like to look India as opposed to China but at the end of the day people will buy what is more affordable and who can provide better service so when in initial days of COVID there was lot of anger around the world. I see that that is not as strong as it is now as it was then but certainly there is talk of some companies coming to India to manufacture which will present opportunities for people like us to sell to them locally which may be for export eventually but I do not think that there is going to be any nature structural shift from European, American or other countries wanting to buy goods from India as supposed to getting it from wherever they were getting but nevertheless there is a pretty good export performance at least our end so overall I think we are quite satisfied there.

Rukun Tarachandani: Got it. Thank you very much.

Moderator: Thank you. The next question is from the line of Nitesh Jain from Birla Mutual Fund. Please go ahead.

Nitesh Jain: Mr. Kanoria basically I mean the question here, the relevant one is what is the state of the operations for TCPL as a whole now in the sense for example say suppose last year if you are doing at the same times Rs.100 assume so at what level have we reached in terms of the current sales run rate. I mean when the lockdown is opened and when the government is asking factories to open and then I read your COVID update which you submitted on the stock exchange wherein

you mentioned that most of the plants, six of the units that you have already started, if you can give some update on this where are we say compare to this similar figure last year?

Saket Kanoria: I think our team as I mentioned in my opening remark has really met the challenge and we really suffered a lot in the month of April because the factories got graded approvals and it took some time also that time there were lot of restriction of labor but in May we performed quite well and we hope to, half of June is already over and I think we are on track so now we are coming to 85% to 90% plus level so overall this quarter we will compare to last year's first quarter I think we should end up with about 80% on an average even though April was very poor.

Nitesh Jain: Sir in the beginning you mentioned about some deferment of the flexible unit expansion which is the same that Rs.35 Crores capex which you had planned?

Saket Kanoria: Yes for the recyclable package.

Nitesh Jain: Yes, yes which was supposed to be in a separate subsidiary, Sir this will be built over by?

Saket Kanoria: Building work will start this year but no machinery will be received this year. We have pushed it back by about six to eight months, say to next year just to be conservative also, so that are the second wave, third wave god alone knows what will happen so we rather keep the cash flow paramount.

Nitesh Jain: Lastly when I see the company's balance sheet as at March 31, 2020 I can see some amount of increase in both long-term borrowing as well as the short-term borrowings from Rs.728 Crores to Rs.151 Crores and short-term borrowing is from Rs.140 to Rs.160 so can we assume like it is capex intensity is only a Rs.20 Crores, Rs.30 Crores this year then you would be paying a significant amount of debt reducing in current financial year?

Saket Kanoria: What has happened is that if you see the balance sheet of last year March 2020 overall our current asset has grown from Rs.290 Crores to Rs.330 Crores and the current liability has grown from Rs.303 to Rs.320 so actually our current ratio has improved quite significantly and in the current year overall debt will not go up, it will go down actually, last year also the term debt has not gone up it is a working capital principally which have gone up and that is primarily due to higher inventory in hand so this year there will be definitely a reduction in overall debt.

Nitesh Jain: Sir very lastly again on the I mean the first one, in terms of the business environment or the clients that you cater to say in FMCG or say alcohol or cigarettes or say pharmaceuticals where the enquiries that you are getting right now has it reached the previous COVID level or you will see significant softness in the business?

Saket Kanoria: This is a very difficult question to answer because very few people know what is really going on, what has happened is that in April all customers have suffered and consumers in panic who were buying a lot of products as a result the entire supply chain has got emptied out and they are filling

their pipeline in May and June now question is that what we are producing in May and June whether consumers are consuming it or it is going into pipeline filling or it is a bit of both I cannot give an exact answer but it is a bit of both to my mind so certain categories of basically food products, packed food, things like biscuit, chocolates, baby food, soaps, toothpaste, sanitizers, creams, these demand is may be even some cases better than pre-COVID and even for example tea but other products like liquor you mentioned there it is very bad because they did not get approval for a long time they only opened in May that too in a limited way and a significant sale of liquor is in bars and restaurants which is not there right now so we see a drop in demand in liquor, same way tobacco but an increase in demand for FMCG and food products so now liquor and tobacco will grow but they are not yet at pre-COVID levels.

Nitesh Jain: Sure fair enough. Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Ankit Gor from Systematix Fund. Please go ahead.

Ankit Gor: Thank you. Sir my question is more on a flexible side, sorry I missed your initial commentary in terms of delay in from flexible capex but most so if you can give some color on that and secondly on a over capex scenario, even in our folded carton business?

Saket Kanoria: You know what I said initially is that this year we were originally planned to add one line, printing line as well as in a subsidiary the blown film recyclable packaging for flexible so we have deferred the investment in that except for the basic infrastructure creation to next year so we have postponed it; however, flexible demand at the moment is quite strong because of the packed food, atta, rice etc., but yet to be conservative, we have postponed it and as far as the carton is concerned there will be some balancing equipment and all that being invested in the current year but no capacity increase as such.

Ankit Gor: But in a way of our base business of flexible are we going to install one more line in this year or that happened?

Saket Kanoria: We are going to push it back to next year, this year there will be no capacity increase.

Ankit Gor: Secondly on in terms of clientele side what sort of visibility we have for our product launches have we seen some delay in product launches or do we see that product launches will come in, in the next couple of quarters or it will take much more time what is your experience say Sir?

Saket Kanoria: I would say that in this time customers have basically focused on their existing brands and their bulk selling brands more than trying to make new variance etc., in order to simplify the system since everyone is working with the lot of stress so the launches of new brands on variance of existing brands have definitely been pushed back and they are focusing on their mainline products and largely bigger bulk pack so I think that in the festive season they will be probably

looking at introducing newer brands of variants. Right now it is more produce as much as you can.

Ankit Gor: Sir on a flexible side just wanted to understand this thing little clearly, this BOPP and BOPET spread does it really play a role in our overall margins because now BOPP spread has gone up or BOPET spread may expected to come down in that case does it really matters in terms of a profitability for a TCPL or it is just a more of a pass on thing?

Saket Kanoria: Ultimately, it is a pass on thing but certainly a lower pricing does help because the lag effect we get benefit and which we are getting benefit in the current time, because net debt it has dropped because of the raw material price of the BOPET, people has reduced significantly.

Ankit Gor: Let us say in that case overall raw material film would be a major part of our oral raw material in flexible?

Saket Kanoria: Not so much because we are not doing a lot of film based flexible we do a lot of paper aluminum foil and film but I mean okay there is a marginal benefit.

Ankit Gor: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ashok Shah from RFC Securities. Please go ahead.

Ashok Shah: Thanks for taking my questions. Sir generally we used to declare 20% as distribution as a dividend so currently our 10% of the profit has been distributed so does it give that indication there next year is not expected or are you conservative?

Saket Kanoria: This question was debated at length in the board and basically, we said that every stakeholder in the company should do some sacrifice. For example, employees we have not given them the salary increases this year, directors have lowered the commission as a percentage of their profit and shareholders we have proposed a lower dividend basically to conserve cash in the company and to be more better prepared for a second or third wave or any possible for their shutdowns etc., so it was just to be conservative and nothing else. As far as next year is concerned, I hope the things will smoothen up and we will get back to our policy. We are not changing our policy at all and we would expect to maintain that going forward.

Ashok Shah: Thank you. My next question, can you just give me some indication about capex done during the last year and planning to do in the current year and also the same way?

Saket Kanoria: We have covered the capex questions few times Sir.

Ashok Shah: No, amount I have just wanted to know amount?

- Saket Kanoria:** Last year we have done about Rs.60 Crores, Rs.65 Crores.
- Ashok Shah:** Okay and the debt repayment done during this last year if you can?
- Saket Kanoria:** That you can look at the balance sheet you will get the data.
- Ashok Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from RW Equity. Please go ahead.
- Vipul Shah:** Sir we were actually trending after a longish period we were actually trending quite well in terms of the EBITDA margin in Q2, Q3 of course everybody understands the impact of COVID and you also have articulated in your opening remarks about the possible loss of revenue and consequently gross margin which has flown down into the EBITDA but would it be fair to assume that starting Q2 onwards we would probably trend back to the earlier EBITDA margins from Q2 to Q3 which we were clocking last year?
- Saket Kanoria:** I think it is a very good question and you are absolutely spot on I think there is no reason by we will not trend at the same amount because in fact this COVID has taught us a lot of things and I believe as a company we will be more efficient and more productive and we will be able to cut costs at various places so unless we cannot ramp up output because of either low demand or some lockdown or something I would think that the margin will get back..
- Vipul Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ayush Jalan, Individual Investor. Please go ahead.
- Ayush Jalan:** Good afternoon. Congratulations on a good set of numbers. I just wanted to ask could you give us a breakup on the FMCG part of the business versus alcohol and the tobacco part of the business please?
- Saket Kanoria:** This data is very sensitive. So we do not really share this breakup.
- Ayush Jalan:** Because I just wanted to try and get a sense of you were saying that the growth in FMCG is good right now well obviously due to the circumstances alcohol and tobacco is muted, I just wanted to gather sense of what the capacity utilization would be?
- Saket Kanoria:** I indicated that at the first quarter we will be hitting around 80% of a regular versus last year levels.
- Ayush Jalan:** Going ahead Sir?



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Saket Kanoria: Going ahead is a very big question. If things go well we will get back to normal. If the current trend continues that is subject to no further health issue, I think we are in upward trend at the moment.

Ayush Jalan: Alright, superb, thanks all the best Sir.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Vipul Sanghvi for closing comments.

Vipul Sanghvi: Thank you Mr. Kanoria for giving us an opportunity. On behalf of Systematix we thank you once again. Thanks for all the participants.

Saket Kanoria: Thank you everybody. It is our pleasure to have initiated this call and thank you Systematix and we look forward to the next time perhaps on Zoom. Thank you.

Moderator: Thank you. On behalf of Systematix Institutional Equities that concludes this conference. Thank you all for joining us. You may now disconnect your lines.