



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

11<sup>th</sup> August 2023

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

The National Stock Exchange of India Ltd  
Exchange Plaza, Plot No. C/1, G Block  
Bandra Kurla Complex,  
Bandra East, Mumbai 400 051  
Trading Symbol:- TCPLPACK

Dear Sir(s),

**Re:- Transcript of the Q1 & FY2024 Results Conference Call**

With reference to the aforesaid subject, attached is transcript of the conference call held on 8<sup>th</sup> August 2023, with the Investors and Analysts.

The transcript of the conference call has also been uploaded on the Company's website at [www.tcpl.in](http://www.tcpl.in).

Kindly take the same on record and acknowledge the receipt.

Thanking You

For **TCPL Packaging Limited**

Compliance Officer



## TCPL Packaging Limited

### Q1 FY24 Earnings Conference Call Transcript

#### August 08, 2023

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- Moderator:** Ladies and gentlemen, good day and welcome to TCPL Packaging Limited's Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this call is being recorded. I now hand the conference over to Ms. Jenny Rose from CDR India. Thank you and over to you.
- Jenny Rose:** Good afternoon everyone and thank you for joining us on TCPL Packaging's Q1 FY24 Earnings Conference Call.
- We have with us today, Mr. Saket Kanoria -- Managing Director; Mr. Vidur Kanoria - Executive Director, and Mr. Vivek Dave -- GM, Finance of the Company.
- We would like to begin the call with brief opening remarks from the management following which we will open for an interactive question-and-answer session.
- Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect have been included in the results presentation shared with you earlier.
- I would now like to invite Mr. Saket Kanoria to make his opening remarks. Over to you, sir.
- Saket Kanoria:** Good afternoon, everyone and thank you all for joining us on TCPL Packaging's Q1 FY24 Earnings Conference Call. I will begin the call by taking you through the key financial and operational highlights for the period ending June 30th, 2023 after which we can open the forum to have a Q&A session.
- We are pleased to share our 1st Quarter performance which marks a promising start despite the challenges presented by the current operating conditions. Our revenues stood at Rs.371 crore, up 8% compared to the previous year. This was mainly driven by higher sales volume from our flexible packaging division and exports. Such growth effectively countered the subdued domestic demand and the impact of decreasing raw material prices witnessed during the quarter. Additionally, our EBITDA demonstrated a healthy growth of 13% with our margin improving by 64 basis points to 16.5% on a year-on-year basis. These positive results were supported by a more favorable product mix and proactive cost management efforts. During the quarter, our PAT and cash profit stood at Rs.23.6 and Rs.48.4 crore, respectively.
- Building on this, we are pleased to confirm that we remain on track concerning the expansion plans we outlined in the previous quarter. Developments include the installation of a new line at our Haridwar plant as well as the establishment of a third

line at our flexible packaging plant at Silvassa. These strategic developments underscore our commitment to our sustainable business expansion.

On the whole, our unwavering dedication to growth has steered us towards diversifying our footprint across varied industries and related segments. This strategy has consistently increased our revenue year-on-year for the past two decades. We take great pride in the fact that TCPL is among the select few listed companies in India to achieve such a distinction, along with an impressive CAGR of 18.4%. We believe our commitment to such sustainable growth would create and is creating long-term value for all stakeholders.

Looking ahead, we see immense potential in packaging solutions for FMCG, F&B and other emerging sectors. Our emphasis on sustainable packaging places us at the forefront of environmental stewardship and innovation, contributing to positive change within the industry. With cutting edge technology, we provide environmentally responsible packaging solutions that improve product quality and shelf life while promoting a greener planet. Overall, TCPL is well prepared to meet the rising demand for sustainable packaging from leading brands.

On that note, I have come to the end of my opening remark and would now ask the moderator to open the forum for any questions or suggestions that you may have. Thank you.

- Moderator:** We will now begin the question-and-answer session. We have our first question from the line of Nikhil Shetty from Nuvama Wealth Research.
- Nikhil Shetty:** My question relates to the 1st Quarter revenue. I believe there was a high base of liquor in our revenue during the 1st Quarter of last year. So, can you please share Q1FY23 and Q1FY24 liquor contribution to our revenue?
- Saket Kanoria:** Liquor contribution in the last year I cannot tell you the exact numbers, but this is the 1st Quarter where we feel the brunt of the big decline in liquor revenue and now it has reduced to a very insignificant level. So, I hope that answers your question.
- Nikhil Shetty:** So, I mean, even any ballpark number would help us to evaluate the impact.
- Saket Kanoria:** In the past we have mentioned that liquor was a big segment for us and after the de-carbonization announced by the majors last year, it started from May, so the impact happened really from July, August onwards, it has been declining and now I would say that the full brunt of that impact has happened, and a small volume is being carried on. Obviously, that will continue to happen because it will never be zero, there are limited addition packs, there are special packs, there are certain niche brands, but overall, there is a big decline.
- Nikhil Shetty:** And also, if you can share the impact of realization due to this passing of raw material prices to the customers?
- Saket Kanoria:** It is very difficult to calculate exactly and to give you a very credible number, but I would say that the domestic carton volume has been pretty much flat, but the decline in top line could be in single digit because of the decline in the raw material price mainly...high single digit.
- Nikhil Shetty:** My next question is on margin. So, we reported the highest Gross & EBITDA margin after the integration of flexible packaging business. So, is there a chance that



EBITDA margin could increase by at least 50 bps every year for the next two to three years as a result of better product mix and benefit coming from the integration of Innofilms business.

**Saket Kanoria:** These questions have been asked to me in previous quarters also and my answer to this has always been that it is very difficult to give a guidance on what the margin would be, because it depends on so many factors, competitive factors, raw material, the product mix. We already had quite a good margin and to expect a 0.5 as you said increase every quarter is, I do not think is practical. But if we can grow our top line and maintain this margin, we should be quite happy.

**Moderator:** We have our next question from the line of Pavan Kumar P from RatnaTraya Capital.

**Pavan Kumar P:** Sir, have the decline in raw material prices already been passed on to the customers fully or there is another portion which will have to be passed on in the second quarter?

**Saket Kanoria:** No, nowadays the raw material pricing decline has been passed on pretty much. We have some inventory; therefore, it takes some time. So, there is always a one quarter lag, but by and large it has been passed on.

**Pavan Kumar P:** What would be the utilization at our flexible packaging line?

**Saket Kanoria:** About 75%.

**Pavan Kumar P:** What can this utilization level be of the current capacity? I am not assuming the new line to be operational this year, right?

**Saket Kanoria:** The old line should be fully utilized because the new line will also kick in.

**Pavan Kumar P:** Currently we have two lines, right, sir and we are saying those lines will be fully utilized.

**Saket Kanoria:** Yes.

**Moderator:** We have our next question from the line of Jainis Chheda from Spark PWM Private Limited.

**Jainis Chheda:** My first question will be with regards to the rigid packaging. What is your outlook over there and what kind of margins that we expect from the rigid packaging space? And who are our customers over there?

**Saket Kanoria:** So, in rigid packaging, it is a subsidiary Company called Creative Offset. And because the total scale of operation is on the lower side, the margin is very low mainly because the overhead is high. So, the first step there is to expand the revenue side and once we do that, then the margin would be comparable or higher than our parent Company margin. And customers there are these mobile phone manufacturers and other electronic equipment manufacturers like wearables that is, watches, headphones, etc.

**Jainis Chheda:** So, are you going to benefit as recently government announced the import of laptops? So, those kind of electronic packaging?



**Saket Kanoria:** No, no, Laptop is not part of this type of packaging we do, we do much smaller size boxes.

**Jainis Chheda:** And what will be the capacity utilization right now over there?

**Saket Kanoria:** Right now, the capacity utilization is less than 50%.

**Jainis Chheda:** And secondly, to do with your realizations and the margins, what you will look for the next quarter, will it be under pressure or it will be stable considering the inventory that is what happens?

**Saket Kanoria:** I think the current and next quarter is pretty positive because we have the festive season coming up and generally these quarters are good quarters this year. Diwali is also in late November, normally it is the end of October. So, we have that much extra time. So, the current outlook is positive only overall.

**Jainis Chheda:** What are the business risks that you see for next two to three years?

**Saket Kanoria:** Business risk? We do not see anything different in the next 2-3 years as compared to what it is now.

**Moderator:** We have our next question from the line of Riya Mehta from Aequitas Investments.

**Riya Mehta:** My first question is in regard to the rigid packaging. In the mobile segment, what would be your market share around and any marquee customer?

**Saket Kanoria:** Small right now. Difficult to quantify how much it is.

**Riya Mehta:** And with the newer companies like Apple and all coming to India, will it benefit us?

**Saket Kanoria:** Yes, the trend is to benefit us. We are not yet a supplier to them. But overall, India is increasing the output of mobile. So, it is a big benefit to people.

**Riya Mehta:** Any marquee customers of the client?

**Saket Kanoria:** Yes, there are lots of marquee customers starting with Samsung and many other smaller mobile phone manufacturers.

**Riya Mehta:** In regard to our main folding carton business, do you see the major demand coming from AlcoBev segment since it is a major driver for us?

**Saket Kanoria:** No, it is not a major driver for us anymore. The AlcoBev segment is in fact de-cartonized, so the packaging volume there has declined.

**Riya Mehta:** So, what would be our major segment?

**Saket Kanoria:** There are many other businesses. I would suggest you should study our website and you will get this kind of information.

**Moderator:** We have our next question from the line of Faisal Zubair Hawa from HG Hawa & Co.

**Faisal Z. Hawa:** Duplex board prices look to be coming down almost like on a very structural basis and NR is coming up like with a huge unit almost next to where our catchment area



is. Do we feel that that itself would lead to at least you know, 1%, 1.5% EBITDA improvement in the next at least three to four years? And secondly, sir, how do you feel the whole iPhone opportunity is coming up for us, is there any chance that we would do a lot of manufacturing for them and probably even export the boxes for them?

- Saket Kanoria:** So, duplex board capacity whether the NR is coming or someone else is coming is not so relevant. It is a very cyclical business and it is up and down based on how much they export and what the demand outside India is. So, we cannot forecast what is going to happen in the next 3-4 years. Right now, the trend is that the pricing is downward and we have a pass-through mechanism by and large. Yes, of course, when prices are going down, it is overall beneficial to us. And we welcome NR investment, which is also near our facility. iPhone represents a huge opportunity, and Apple seems to be very serious about expanding its presence in India. So, far, they are procuring from their global vendor, but I'm sure that they are looking at broad basing that. So, in the future it could be a very good opportunity for people like us.
- Faisal Z. Hawa:** So, would it require like too many approvals and almost like a one to two-year kind of going through their systems, etc.?
- Saket Kanoria:** I mean, there is a process for it and one will have to go through it.
- Faisal Z. Hawa:** But we are looking at it?
- Saket Kanoria:** Yes, we are looking at it.
- Moderator:** We have a follow up question from the line of Pavan Kumar P from RatnaTraya Capital.
- Pavan Kumar P:** Our Innofilms line is now fully fixed and functional because last quarter we had some problems and I guess production was not at full capacity. So, what is the status now?
- Saket Kanoria:** It is the same status. We are still awaiting parts which are expected in the first half of next month and then hopefully we feel that we should be able to ramp it up.
- Pavan Kumar P:** But you are hopeful that by Q2 at least some parts we will get?
- Saket Kanoria:** We are already operational, it is not that the machine is shut or anything, but it is just that the value-added film is the problem and that we are waiting for these parts and no sooner do they come, we are hopeful that we can get going on it. So, the impact will be felt in the third quarter, not in the second quarter.
- Pavan Kumar P:** What are the steps we are taking, sir, to actually ramp up the Creative side, in the sense, I mean, if you look at standalone versus consolidated numbers, we are still losing money?
- Saket Kanoria:** Yes, so Creative, we are making a lot of effort, we have expanded our marketing setup, we are meeting new customers, there are a lot of opportunities, we have broad based our customer base, we have also modernized the plant. So, there is a lot of effort going on there to expand the customer side.
- Pavan Kumar P:** Do we still expect to ramp Maybe Creative to, let us say, around Rs. 8 to 10 crore by the end of the year... I am talking about per month revenues.



**Saket Kanoria:** The last time we had given that indication that would be our goal, but whether it will happen in the current financial year, I cannot tell you that, but that is our strategic objective.

**Moderator:** We have a follow up question from the line of Jainis Chheda from Spark PWM Private Limited.

**Jainis Chheda:** Our net working capital days currently around 89 days. Any scope of improvement over there?

**Saket Kanoria:** No, it is what it is.

**Jainis Chheda:** What is the peak asset turn ratio and fixed assets ratio that you can clock?

**Saket Kanoria:** We can do a little better than what we are doing now because the current utilization can have some headroom.

**Jainis Chheda:** And the new lines that are coming up in both flexi as well as rigid carton packaging, by when are they expected to be commissioned and what is the outlook over there?

**Saket Kanoria:** There is a new line coming in at Haridwar. We are expecting it to be commissioned towards the end of September, early October, and there is a new flexible line which we expect in the latter part of Q3.

**Jainis Chheda:** So, in terms of our cash flow management, how do we look at it, is debt expected to come down, are we aiming for the zero-debt Company?

**Saket Kanoria:** No, we are not aiming for zero-debt. We think that that's not very wise, but we should have some amount of debt, but our leverage has gone down significantly in ratio terms and our current cash flows are quite comfortable.

**Moderator:** We have our next question from the line of Harini Dedhia from Tamohara Investment Managers.

**Harini Dedhia:** Sir. I have a question regarding the gross block turns. Earlier, we used to have a range of doing tons of about 1.2 to 1.3, 1.4, now, we are in that range of 1.5 to 1.7. I know flexible packaging has higher asset turns, so that must have contributed a little bit. But is the scope of our work with our customers increasing where we're doing a lot more specialized, the metallic prints that we have, the embossing that we have, is that the reason why they're doing better asset turns, is it the kind of machinery that we are buying today versus what we used to have, what is it that has led to this shift, and you've already said that there is scope for more improvement, so if you can just help me understand how we have consistently been improving on this number?

**Saket Kanoria:** Thank you. Very nice question. I must compliment you for this observation. The asset turn has increased a little bit, also because there are some older equipment which are depreciated, #2, we are doing more value-added packaging which is reflected in our EBITDA margin as well, and #3 there is a general inflation in the economy which is, let's say, if you compared to five years ago, the base material values are higher, so that also contributes to this. So, it is a combination of various factors, product mix and base raw material levels, I would say that is the real reason for it.

**Moderator:** We have our next question from the line of Srinath M, an Individual investor.



**Srinath M:** My question was what is the capex you are looking at this year and say over the next couple of years, your annual capex?

**Saket Kanoria:** This year, we are looking at the capex of around Rs.100 crore. Currently, we do not have any very significant capex plans, but we are firming them up as we go along.

**Srinath M:** And are we getting into the other forms of flexible packaging as well, I mean, we were considering installing a metallizer and so on, so are we going ahead with that or we are still focusing on something else?

**Saket Kanoria:** We have not yet taken a final call on that.

**Srinath M:** And the last one was a slightly technical stock market question. Stock prices are running into high four digits. So, to improve liquidity on small stocks, would you consider things like stock split or bonus issues?

**Saket Kanoria:** I do not think these things really work in the long run. So, it is something that we may consider at a point, but no immediate plans as such.

**Srinath M:** Because there is no downside to it, and who knows.

**Saket Kanoria:** There is no downside, but there are companies with Rs.1,00,000 price also and have high volume. So, it's not necessary that's the answer.

**Moderator:** We have our next question from the line of Dhavan Shah from Alfaccurate Advisors.

**Dhavan Shah:** So, my question is on the breakup of the volume and the price growth for this quarter. So, we ended up with 8% top line growth. Can you break it up between the volume and price?

**Saket Kanoria:** In our business to break up in volume and price is very challenging because it depends really on the product mix about which we are talking. So, it is not very easy to give you a very credible number, but overall, I would say that the pricing has been lower per ton. However, there has been a growth in the total topline. So, the lower price has been offset by a higher volume growth overall.

**Dhavan Shah:** And what was the existing utilization for folding cartons and the flexible packaging for the 1st Quarter?

**Saket Kanoria:** Folding carton was at about 70%.

**Dhavan Shah:** What was the last quarter utilization?

**Saket Kanoria:** Last quarter utilization was slightly higher than that, but there's not much significant change.

**Dhavan Shah:** And the flexible packaging?

**Saket Kanoria:** Flexible was at 75%.

**Dhavan Shah:** Would it be possible to share the EBITDA per ton between these two segments?

**Saket Kanoria:** No, this is not something we share.





**Dhavan Shah:** Was there any inventory loss during this quarter?

**Saket Kanoria:** Yes, the inventory loss is kind of notional, it is always there when prices are falling. So, to quantify that is also very challenging because sometimes we have inventory covered for customers and the pricing is then reset after that inventory is utilized.

**Dhavan Shah:** But the majority of the impact is already factored in?

**Saket Kanoria:** Yes, yes.

**Moderator:** We have a follow up question from the line of Riya Mehta from Aequitas Investments.

**Riya Mehta:** My question was in regard to what would be our export contribution this quarter?

**Saket Kanoria:** Exports have done very well this quarter, but to give you an exact percentage data, we are not sharing, but it has been quite high.

**Riya Mehta:** Could you guide us to what kind of double-digit growth can we see in the export business?

**Saket Kanoria:** Yes, double-digit growth.

**Riya Mehta:** In terms of rural packaging, we have been hearing statements from the management of the FMCG companies that it is growing at almost high single digit. So, do you see a similar trend happening with your business?

**Saket Kanoria:** I mean for us it is not possible to track rural and urban. Overall FMCG, I would say is around 4-5% growth. The numbers reported by most of our customers. Volume growth is not more than 3% to 5%. Rural may be higher, urban maybe lower, that I cannot tell you.

**Riya Mehta:** In fact the growth for your customers was mainly value-led. So, going forward the commentary is that the volumes would come back is what they are saying.

**Saket Kanoria:** Yes, that is the expectation, because now there is no inflation for them to pass on.

**Riya Mehta:** You were mentioning about value added packaging that we have been recently increasing our share. So, if you could just give a ballpark direction as to what percentage it would be and how do we take it forward?

**Saket Kanoria:** This is kind of a very subjective question. So, value added is something where you add some embellishment into the packaging or you have a better-quality raw material. So, this is an ongoing kind of trend and most brands are upgrading most of the time. So, this continues. I would say year-on-year, this would keep improving.

**Riya Mehta:** In an upward trend from these levels?

**Saket Kanoria:** I do not have such a figure to share with you.

**Riya Mehta:** My last question would be, since the raw material prices are decreasing, the realization have also been on a decreasing trend. Do you foresee the rest of the year the volumes to be offset by the lower realization like we did this quarter?



**Saket Kanoria:** Yes.

**Moderator:** We have our next question from the line of Naysar Parikh from Native Capital.

**Naysar Parikh:** I just wanted to understand on the segment mix between F&B, pharma, cosmetics, if you could give that mix, and going forward, where are you seeing better growth trajectory if you could give some color?

**Saket Kanoria:** Mr. Parikh, I am sorry, we do not share segmented numbers, it will be difficult to share with you that, but I would say that the growth in pharma, F&B or FMCG does not follow a very divergent trend, it is pretty much similar.

**Naysar Parikh:** Would you have some sense of how do you think about market share and what are the areas where you grew beyond your current customer volume growth, what are those areas or what are the segments that you would want to grow in and if you could give some sense of your market share and competition, how are you positioned versus some of your peers?

**Saket Kanoria:** It is a very large industry and given the fragmented nature of it, it is very tough to really calculate our market share. I mean when I say that we want to give some number out, then it has to be backed by some solid data. So, it is not so easy, but we are looking at penetrating into lot of categories and new categories like electricals, electronics, toys, FMCG, food and beverage, pharma to an extent across the board really.

**Naysar Parikh:** If I can ask differently in your top ten odd clients, you would have a sense of your share of wallet with them, I mean, do they work with two or three, how many?

**Saket Kanoria:** Yes, in some cases it could be even 50%, 60%, in some cases it could be 30%, 35%, something like that.

**Naysar Parikh:** In terms of the two subsidiaries that you have, can you give some sense of how the revenues from that will be, is it fair to assume the next two years the revenues from both may not be significant, and your two main divisions will only be driving it or how do you see that?

**Saket Kanoria:** So, the operating subsidiary, we have two, which is TCPL Innofilms, which is being merged into TCPL Packaging and then there's Creative, which is currently a very small subsidiary. So, I think in relation to the parent, it will always be very small.

**Naysar Parikh:** But in either of them, are you seeing any traction or are you seeing significant growth opportunities or order enquiries or something that is there?

**Saket Kanoria:** In Creative, there is a lot of opportunity and we feel that with the growth in the electronics segment in India, we are very well poised to capture part of it. So, I would say, the outlook is very positive.

**Naysar Parikh:** You do not obviously talk about order book, but would you have a sense for the next quarter or for the rest of the year, what is the kind of order book position that you have for overall?

**Saket Kanoria:** As I mentioned to the previous participant, I said that this current quarter and next quarter is looking positive overall. So, the order book is not bad right now.



**Moderator:** We have a follow up question from the line of Riya Mehta from Aequitas Investments.

**Riya Mehta:** Just a follow-up question. You told me that folding carton segment capacity utilization was around 70%. At the peak how much utilization can we go up to in the current capacity?

**Saket Kanoria:** We can go up to 90% as well.

**Riya Mehta:** By when do you see us using our current facility to the optimum?

**Saket Kanoria:** I really do not know, cannot tell you because this keeps changing.

**Moderator:** We have our next question from the line of Pulkit Singhal from Dalmus Capital Management.

**Pulkit Singhal:** Question is if you were to exclude those alcohol volumes, how much would have the carton industry revenues grown for you or volumes grown for you?

**Saket Kanoria:** I think it would have been a very, very good quarter. I cannot tell you exactly how much it would be, but yes, it would be quite a nice quarter.

**Pulkit Singhal:** Then secondly, I think most FMCG companies are calling out 2Q and 3Q to be better than what they have experienced in 1Q. Is that something that you are witnessing as well?

**Saket Kanoria:** Yes.

**Pulkit Singhal:** I think the margin performance is also quite robust, I mean, I am surprised because obviously the revenue decline has been there in the overall carton business. So, what would explain high margins in a declining domestic carton business, I mean, is it the product mix of alcohol was inferior and excluding that has become better or there is an element of lower RM prices also somewhat benefiting you?

**Saket Kanoria:** First point is that our export has outperformed the domestic and export generally is at a higher margin. So, that is the principal reason.

**Pulkit Singhal:** The kind of growth rates you have seen in export over last three to five years annually, is that the kind of levels at which we are sustaining?

**Saket Kanoria:** Right now, we are heading towards that direction. What happens in the future is to be seen. But yes, it is quite strong.

**Pulkit Singhal:** Any new trends in exports that might be benefiting you, I mean, versus what you have seen previously?

**Saket Kanoria:** Yes, we are looking at newer markets. We have now started initial exports into the US, that we were never doing and it represents a big opportunity as you know the US is a massive market. So, it is also a very tough operating market because of the distance and their expectations. So, early days, but if we can do a good job there, then I feel that we have a very big potential.

**Moderator:** I would now like to hand the conference over to the management for closing comments. Over to you.



**Saket Kanoria:**

Thank you, everybody. I hope I have been able to answer your questions. Should you need any further clarification or you would like to know more about us, please feel free to contact our investor relations team or CDR India. We hope to have your valuable support on a continued basis as we move ahead. On behalf of all of us here at TCPL, I once again thank you for taking the time to join us on this call. Look forward to interacting with you again soon.

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