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13th November 2023

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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 Q2 & H1 FY2024 Results Conference Call

With reference to the aforesaid subject, attached is transcript of the conference call held on 9th November 2023, with the Investors and Analysts.

The aforesaid information is also available on the website of the Company at www.tcpl.in.

Kindly take the same on record and acknowledge the receipt.

Thanking You

For **TCPL Packaging Limited**

Compliance Officer



TCPL Packaging Limited

Q2 & H1 FY24 Earnings Conference Call Transcript

November 9, 2023

Moderator: Ladies and gentlemen, good day and welcome to TCPL Packaging Limited 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 Mr. Anoop Poojari from CDR India.

Anoop Poojari: Good afternoon everyone, and thank you for joining us on TCPL Packaging's Q2 and H1 FY24 Earnings Conference Call.

We have with us today, Mr. Saket Kanoria - Managing Director; Mr. Akshay and Vidur Kanoria - Executive Directors, 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 have the forum 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. Kanoria to make his opening remarks.

Saket Kanoria: Good afternoon, everyone, and thank you all for joining us on our earnings call for the period ended September 30, 2023.

I trust all of you have had the opportunity to go through our results documents which have been shared with you earlier. I will initiate the call by taking you through our business highlights for the period under review, after which we can open the forum to have a Q&A session.

In this quarter, we are pleased to announce that we have achieved our highest ever quarterly revenue, which has surpassed Rs.400 crore for the first time. This remarkable performance can be attributed to the encouraging performance of both our folding carton and flexible business segments.



Despite operating in a challenging environment, our revenues in Q2 grew 12% year-on-year to Rs. 406 crore. Further, the EBITDA has grown 13% reaching Rs. 65 crore in this quarter, driven by steady margins at around 16%.

Consequently, our PBT has also grown to Rs. 37 crore, while our PAT and cash profits have come in at Rs. 29 crore and Rs. 55 crore respectively.

Here I would like to highlight that the Q2 profit figures of last year include an exceptional one-off income of Rs. 17 crore received as an insurance claim. Adjusted for this, our profits have grown in line with our overall revenues.

In a continued effort to fortify our Board of Directors, we are very proud to announce the addition of two new esteemed Independent Directors, Mr. Sanjiv Anand and Mr. Tarang Jain.

Mr. Sanjiv Anand is the Chairman of Cedar Consulting, a Forbes ranked global consulting firm and is the recognized strategic expert with over 35 years of experience in guiding Boards, CEOs, and leadership teams in shaping strategies and transforming business practices including those in the packaging sector.

Mr. Tarang Jain is the Chairman and Managing Director of Varroc Engineering Limited, and brings the strategic vision that has propelled Varroc into a global tier-1 automotive component group, showcasing his 35 years of leadership marked by integrity and a strong commitment to corporate social responsibility including active engagement in environmental initiatives.

These appointments follow the significant addition of Dr. Blaschke as a Non-Executive Independent Director earlier this year. We believe that the combined expertise and insights of Mr. Anand and Mr. Jain will enhance the strategic oversight and governance at TCPL, aligned with our dedication to upholding the highest standards on our board.

Coming to key operational update, We are delighted to share that TCPL has successfully inaugurated a new advanced printing line, complemented by state-of-the-art ancillary equipment at our Haridwar facility. This expansion is part of our ongoing growth strategy with the Haridwar unit already operating at optimal levels.

Following our operational enhancements, I am pleased to share that TCPL's commitment to quality and innovation has been recognized with several prestigious awards. We have been named PrintWeek Printing Company of the Year and also received the accolade for the Innovative Printer of the Year 2023 from PrintWeek magazine.

Our subsidiary Creative Offset Printers has earned the Best Vendor for EHS Activities title from Samsung India achieving a perfect score.

Additionally, at the India Folding and Carton Association Awards in 2023, TCPL secured six awards across various categories recognizing outstanding work in both folding carton and flexible packaging materials. These accolades underscore our team's hard work and commitment to maintaining a high standard of excellence and innovation in the packaging industry.



In conclusion, while TCPL continues to diversify through customer and sector expansion, we are mindful of the short-term subdued domestic environment in some of our key underlying industries.

However, we remain optimistic about our outlook keeping in mind the buoyant long-term trends in the industry. We are confident that the industry is poised for growth as India advances toward self-reliance in manufacturing across various sectors. With our investments in expanding our capabilities over the years, we believe that TCPL is well prepared to capitalize on this opportunity.

On that note, I would request now the moderator to open the forum for any questions or suggestions that you may have. Thank you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session.
- The first question is from the line of Harshil Sethia from AUM Fund Advisors.
- Harshil Sethia:** Sir, what has been the CAPEX for H1? And what is our full-year CAPEX plan?
- Saket Kanoria:** Full-year CAPEX plan is about Rs. 110 crore. Bulk of it has been done in H1.
- Harshil Sethia:** So, how much?
- Saket Kanoria:** It doesn't matter. I said bulk of it has been done. Please move on to the next point.
- Harshil Sethia:** Sir, secondly, what I wanted to know, so what has happened in the working capital cycle? It has increased to 100 days. Anything specific you want to call out?
- Saket Kanoria:** No, there is no specific comment on that.
- Harshil Sethia:** And sir, going ahead, could you give us a breakup in terms of what would be the percentage of exports in H1 compared to last year?
- Saket Kanoria:** This figure we will declare on an annualized basis in the balance sheet. We don't declare this figure now in the half year.
- Moderator:** The next question is from the line of Nilesh Shah from Julius Baer.
- Nilesh Shah:** I am actually a bit new to your company and the specific industry you operate in. So, perhaps I was hoping you can share a bit of context around the competitive dynamics of the industry in which you operate vis-à-vis some segments of your clients? Who are your major competitors? And I have also seen that in recent times, your growth and margins have held up very firmly. If you can also illustrate has something changed in the vis-à-vis your industry from a competitive point of view?
- Saket Kanoria:** So, the packaging industry, overall, I would say, is quite a competitive industry, and there has been a lot of investment in this area over the last decade or so. And we operate essentially in two basic segments. One is the paperboard-based folding carton segment and the flexible packaging segment, which is more film and thin paper.
- So, in the flexible packaging segment, we are a smaller player, and there are a lot of big competitors such as UFlex and Huhtamaki amongst the listed few. And in the



folding carton space, we have a competition from various players across India, and essentially, they are generally unlisted companies, such as Parksons, Borkar and ITC etc.

- Nilesh Shah:** What's the revenue split between these two segments?
- Saket Kanoria:** So, your question was on the margins which is holding up. So, I wasn't sure about...
- Nilesh Shah:** No, so sorry. Before we get to that, just if you can share some split between these two? I was going through your presentation, and I was not able to locate it.
- Saket Kanoria:** The revenue split is roughly 15% flexible, and the rest is folding carton.
- Nilesh Shah:** I see from your deck you are really spending a lot of time, I think, on the fold, on the more consumer facing folding packaging side, right. Is that an area that you are actively trying to shift your revenue mix towards?
- Saket Kanoria:** The folding carton side we are anyway majority of our revenue is from there.
- Nilesh Shah:** No, so what I am trying to talk about is, if I see Slide #2, #3, #4, so more consumer oriented boxes like Fair and Lovely, Kesh Kala, Colgate, is that what you call folding?
- Saket Kanoria:** Yes, that's what we call folding.
- Nilesh Shah:** And just to clarify, what is your share from this segment?
- Saket Kanoria:** Excuse me, Mr. Shah. If there is a very specific questions on particular points, I would suggest you can get in touch with CDR, and they can clarify later, because then we only have limited time on this call.
- Nilesh Shah:** Sure. I will get in touch with your firm directly.
- Saket Kanoria:** CDR India. Anoop is on this call. So, you can get in touch with them.
- Moderator:** The next question is from the line of Resham Jain from DSP Asset Managers.
- Resham Jain:** So, I have couple of questions. So, first one is with respect to Creative. I think you have further increased your stake here, and you mentioned about this in the previous calls that this segment overall has been growing quite rapidly. Given the size of the company currently, it's relatively smaller given the size of the opportunity. So, how are you looking at this business, let's say, over the next few years?
- Saket Kanoria:** Yes, in Creative we have increased our stake, and I would say that very soon it will be 100%. And secondly, we are very upbeat about this business. It is growing in India quite rapidly. So the mobile and the wearable space are both in a growth phase.
- Resham Jain:** But my question was, sir, currently it is whatever Rs. 50, 60 crore business, you expect it to become substantial given your strength in the segment or will it grow at like 15%, 20% range only is what I was trying to understand?
- Saket Kanoria:** Resham, potential is there for further growth for sure, and it should grow at a faster rate than the company's growth for sure, and over period of time should come to represent a meaningful share of the company's total revenue.



However, obviously we have to get it right in terms of cracking the relevant customers and doing a good job on quality and service and bringing new innovation to the market. So, we will keep doing it and that's the endeavor.

Obviously, we started in a very small way because this company was, it's a small company and was a distressed acquisition. So, the learning period and turnaround time, I mean, to turnaround the business was a bit of a long cycle, but we certainly see the future to be quite compelling.

Resham Jain: Just one more follow-up. As of today, I think the margins are a little lower here, but as you mentioned with certain kind of reorganization and cost related things, are you not confident of getting to the company level margins in this business as well over the next one, two years?

Saket Kanoria: So, here is also again problem of scale and overall size. So, we see that once we come to a more respectable top line number, then the bottom line will certainly follow. Right now, it's kind of getting eaten up in overheads.

Resham Jain: The second question is on the overall balance sheet. I think you had CAPEX plus this acquisition, I think, remaining stake has led to some increase in debt on one side. Obviously, earnings have also improved, but let's say over the next two years, is the overall CAPEX or you mentioned Rs. 120 crore for this year, but let's say FY'25, what will be your overall CAPEX?

Saket Kanoria: I think next one or two years the CAPEX plans are quite moderate. So, we should have more free cash flow going forward.

Resham Jain: So, absolute debt should come down from current levels.

Saket Kanoria: Yes. I mean, it should grow for sure.

Moderator: The next question is from the line of Nikhil Shetty from Nuvama Wealth.

Nikhil Shetty: So, sir, can you help us to understand how domestic part of our business is shaping? Because whatever growth we are witnessing, I believe it is purely driven by export.

Saket Kanoria: Thank you, Mr. Shetty. Yes, the domestic segment has been under pressure. We have also had to bear the brunt of this decartionization of the liquor industry, which was a large contributor. So, the bulk of the brunt of that has been borne in this half year compared to the same period last year.

And in general, also I would say that the domestic industry is not growing beyond 4%, 5%. And apart from that, there has been a price reduction because of raw material prices going down. So, coupled with this overall domestic has been flat and the growth has really come from export. You are absolutely right. Apart from that, our flexible business had a good growth. So, overall, it has resulted in the numbers that has been reported.

Nikhil Shetty: And sir, since we are in a festive season, so are we witnessing any green shoots in terms of a demand in domestic market?

Saket Kanoria: I think that this festive till August was very buoyant, but over the past month or so, I feel that that usual buoyancy is kind of missing. And while there is obviously no decline or anything, it's not as buoyant as we have seen in the past years.



Nikhil Shetty: And sir, next question is on Innofilms. So, how things are moving there? And can we expect any revenue contribution starting from FY25?

Saket Kanoria: So, in Innofilms, you probably are aware that we have some technical challenges with the equipments which we have taken up with our machine and technology provider. They have worked on some partial solutions which are giving some partial benefits, but we expect that another few months will take before everything is restored to what it should achieve.

And in the meantime, we are also merging Innofilms with TCPL. The NCLT order for that is expected very soon. So, hopefully, we will complete that during the current quarter. And yes, we are already using the plant for internal film requirements. So, let's say, 30%, 35%, and then we see that number going up, and the rest of the capacity will be for the sale of film, which we are quite hopeful. So, I would say that give us another few months and in early '24, we should start getting some results for this investment.

Nikhil Shetty: And lastly, how much capacity we are adding through new line in Haridwar?

Saket Kanoria: In Haridwar, we have added about 25%.

Nikhil Shetty: 25% of existing capacity.

Saket Kanoria: Existing. So, overall about 20.

Moderator: The next question is from the line of Jainis Chheda from Spark.

Jainis Chheda: Sir, one question is on the addition of the two board members. So, what exactly are you looking for from them? And how will they add value to the company overall?

Saket Kanoria: They are very eminent people with lots of years of experience in their own respective fields. So, as an Independent Director, they bring a lot of value in terms of overall strategy and strategic thinking, and also in terms of governance. So, I mean, they can add a lot of value, and we would hope that we can learn from the experiences and suggestions from time to time.

Jainis Chheda: So, can you substantiate a bit in terms of will they help you get indoors for new customers, or they will help you improvise your processes through cost reduction? How exactly will it happen?

Saket Kanoria: See, they come with their own set of contacts and Industry knowledge. So, I can't give you some specifics, only one specific area. It is overall advice, which is what we are looking forward to them. They are at the end not executive position. So, it's more from a strategic and broad level advice that we could learn from.

Jainis Chheda: And second question is in terms of your cash flow. I am seeing some Rs. 35 crore of fixed deposit with banks that has added up in the six months. So, why is that? Like, any specific reason?

Saket Kanoria: So, we have some foreign line of credit against which this money has been drawn, and it will be spent in future CAPEX in the current rest of the year.

Jainis Chheda: So, I mean, since our exports have increased a lot, and that is what this is helping us?



Saket Kanoria: No, it's nothing to do with the export. This is a foreign line of credit for domestic CAPEX.

Moderator: The next question is from the line of Uttam Purohit from Monarch Network.

Uttam Purohit: So, my question was around, we had a very good growth this quarter. Can you share the breakup of how much of it was value oriented and how much of it was volume oriented? Mix of value and volume?

Saket Kanoria: It's difficult to tell you the exact number. Overall, in the second quarter, particularly, the volume growth was good. First quarter we had not such a great volume. It was more price led, and this quarter there has been a price decline. So, overall, I would say, we can't give a specific figure, but it is more volume driven rather than price driven.

Uttam Purohit: And also, can you share the update on the CAPEX of the third line at the Silvassa plant? When would it commence?

Saket Kanoria: On the flexible packaging, we expect to complete it during the current quarter. So, hopefully, it will go into production in Q4, next year.

Moderator: The next question is from the line of Riya Mehta from Aquarius Investments.

Riya Mehta: My first question is in terms of the capacity utilization. Could you give us the capacity utilization for both the segments?

Saket Kanoria: On the flexibles, we are fairly around 80%, 85%, and the carton I would say around 75% to 80%.

Riya Mehta: All this includes the new Haridwar facility?

Saket Kanoria: No, the Haridwar facility was only commissioned in September. So, this would not include that.

Riya Mehta: And my second question is we are seeing good growth in flexible packaging. So, going forward, do we see the margins being a little subdued because our margins in cartons is higher than flexible packaging?

Saket Kanoria: No, overall, I would say that flexibles have been outgrowing carton, and we have been able to maintain the margin. So, in future also we don't see that causing any kind of dip as such.

Riya Mehta: We will be having similar kind of margins in both the segments more or less.

Saket Kanoria: No, not necessary, but as a company as a whole, we feel that we can maintain current margins.

Riya Mehta: And in terms of raw material, we are hearing commentary from all the paper producers that the packaging paper prices are increasing like of JK Paper and so. So, are you witnessing such an instance? And how will it impact us, if at all?

Saket Kanoria: So, paper, certain grades of paper prices are going up, particularly in virgin grades, whereas in the recycle grades, they are going down. So, I think, wherever it's going



up and down, we have to pass it on to customers and overall doesn't seem to be resulting into any major change in pricing.

Riya Mehta: And these prices are passed on with the lag of how much time?

Saket Kanoria: Typically one quarter.

Moderator: The next question is from the line of Pulkit Singhal from Dalmus Capital.

Pulkit Singhal: First question is on the export side. You mentioned that since domestic was almost flattish this quarter, it seems that exports had grown almost 40%, 50%. I am just reverse calculating it from the contribution last year. I mean, that's a very sizable growth. Just trying to understand what is driving it and is it largely driven by flexible exports or there is some other trends that are also helping you?

Saket Kanoria: Overall growth has been, you are right that the growth is due to not just export, but also flexibility has grown. Carton has grown marginally. But what's driving it is that we are across many segments, and we are also getting into new countries. For example, we have now entered the U.S., which will in future be a pretty large market. So, there is no one reason really, but overall, the effort is higher, and we are trying to see how best to leverage our strengths in product quality, which results in the acceptance abroad.

Pulkit Singhal: But when I look at exports of growth going ahead over the next couple of years, two, three years, is it largely going to be led by flexible? I mean, the U.S. opportunity is for cartons or flexible. I am just trying to get, that's it.

Saket Kanoria: The U.S. opportunity is more flexible, but there is some carton there as well, and the growth will happen in both segments.

Pulkit Singhal: And secondly, you did allude to, I mean, trying to get into the Apple supply chain for India. I mean, is there any progress there, anything you would want to highlight?

Saket Kanoria: This specific information customer wise we can't share. I am sorry.

Moderator: The next question is a follow-up from the line of Jainis Chheda from Spark.

Jainis Chheda: Sir, one small question from my end. In the presentation, you have mentioned that implement in your EBITDA margin was supported by better product mix and proactive cost management. So, what steps were taken in terms of your proactive cost management? Can you just elaborate over there?

Saket Kanoria: This is complete internal cost management. I can't share this information with you.

Jainis Chheda: I wanted to understand is it a sustainable continuous basis implement or small onetime improvement?

Saket Kanoria: I don't think it's a small onetime improvement. There is nothing exceptional about it.

Jainis Chheda: So, any process change or something, it's not possible to elaborate, right?

Saket Kanoria: I am sorry.



Moderator: Thank you. As there are no further questions, I will now hand the conference over to the management for closing comments.

Saket Kanoria: Thank you everyone. I hope I have been able to satisfactorily answer all your questions, and if you need any further clarifications or you would like to know more about us, please do feel free to contact CDR India. Thank you for taking the time to join us on this call. We look forward to such interactions again in the near future. Thank you all.

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