



India

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	Rs2,992
Target price:	Rs3,800
Previous target:	Rs4,100
Up/downside:	27.0%
InCred Research / Consensus:	27.0%
Reuters:	
Bloomberg:	TCPL IN
Market cap:	US\$300m
Average daily turnover:	Rs27,226m
	US\$0.2m
Current shares o/s:	Rs15.6m
Free float:	9.1m
*Source: Bloomberg	44.3%

Key changes in this note

- Lower our target price to Rs3,800 from Rs4,100 earlier.



Price performance	1M	3M	12M
Absolute (%)	6.6	(6.9)	(14.1)
Relative (%)	7.0	(5.1)	(21.6)
Major shareholders			% held
Promoter	55.7		
Anil Goel	9.1		
DSP	7.1		

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TCPL Packaging Ltd

Margin resilience despite export headwinds

- TCPL posted a 1.8% yoy sales decline in 3Q, led by low double-digit volume growth in domestic biz, while exports continued to remain under pressure.
- Resilient delivery on margin front despite headwinds in exports. Domestic demand is likely to remain in a high single-digit to low double-digit trajectory.
- TCPL is well-placed to gain from improving trend in domestic business & a recovery in exports. We maintain our ADD rating on it with a new Rs3,800 TP.

Weakness in exports cushioned by recovery in domestic business

TCPL Packaging (TCPL) reported a marginal 1.8% yoy sales decline in 3QFY26, primarily driven by persistent headwinds in the export segment against a high base. While export momentum remained subdued throughout 9MFY26, resulting in a reduced sales mix of 31.6%, the domestic business provided a cushion with low double-digit volume growth. Looking ahead, the domestic segment is expected to maintain this trajectory, supported by FMCG players' renewed focus on volume growth. However, we anticipate potential near-term pressure on cigarette carton volumes as the industry navigates sharp price hikes and subsequent impact on industry volume growth.

Trade deals can be a turning tide for TCPL's export business

Despite a sluggish fiscal year for international trade, recent bilateral trade agreements between India and the US and Europe are acting as catalysts for a turnaround. These deals have already stimulated a resurgence in customer inquiries. Furthermore, the Middle East (a primary contributor to TCPL's export portfolio) is projected to stage a recovery back to the growth path, after recent stagnation, and show gradual improvement. This shift in the international landscape, combined with stable domestic demand, positions the company to capitalise on a broader recovery in global and local FMCG consumption.

Resilient margins despite export headwinds

Despite a weaker export mix, gross margin expanded by 240bp yoy to 42.7% (vs. our estimate of 41%) in 3Q. Employee costs were up 19.9% yoy at Rs496m (10.5% of sales, up 190bp yoy), while other expenses declined 13.1% (14.9% of sales, down 195bp yoy). EBITDA grew by 14.7% to Rs810m, beating our estimate by 7%, while EBITDA margin expanded by 250bp yoy to 17.2%. APAT declined 3% yoy to Rs366m; however, due to exceptional items (labour code) at Rs116m, RPAT declined 33.6% yoy to Rs250m.

Well-placed to participate in a broader recovery in FMCG demand

TCPL is well-placed to participate in a broader recovery in FMCG industry, led by improving demand trend in urban markets, steady demand in rural markets as well as an improving outlook on export business led by trade deals with the EU & the US, and a gradual recovery in the Middle East market. We retain our high-conviction ADD rating on TCPL with a lower target price of Rs3,800 (20x Dec 2027F EPS), from Rs4,100 earlier. Downside risks: Continued weakness in export momentum or subdued domestic demand.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	15,414	17,703	18,312	20,281	23,094
Operating EBITDA (Rsm)	2,514	2,931	2,893	3,308	3,884
Net Profit (Rsm)	993	1,430	1,140	1,441	1,826
Core EPS (Rs)	109.1	157.2	125.3	158.4	200.6
Core EPS Growth	1.5%	44.1%	(20.3%)	26.4%	26.7%
FD Core P/E (x)	27.43	19.04	23.88	18.89	14.91
DPS (Rs)	11.9	20.0	22.0	17.5	22.2
Dividend Yield	0.67%	0.74%	0.59%	0.74%	0.94%
EV/EBITDA (x)	12.68	11.23	11.31	9.74	8.16
P/FCFE (x)	34.99	44.68	26.39	32.36	29.43
Net Gearing	88.4%	88.4%	73.9%	57.8%	43.6%
P/BV (x)	5.18	4.23	3.67	3.14	2.66
ROE	20.5%	24.5%	16.5%	17.9%	19.3%
% Change In Core EPS Estimates			(4.49%)	(7.15%)	(8.64%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Margin resilience despite export headwinds

Figure 1: Quarterly results summary - consolidated

Rs m	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	9MFY25	9MFY26	Gr (%)
Revenue	4,797	4,605	4,712	-1.8	2.3	13,479	13,564	0.6
Expenditure	4,091	3,910	3,903	-4.6	-0.2	11,290	11,334	0.4
Consumption of raw materials	2,867	2,712	2,702	-5.7	-0.4	7,760	7,779	0.2
as % of sales	59.8%	58.9%	57.3%			57.6%	57.4%	
Employee costs	414	462	496	19.9	7.4	1,247	1,417	13.6
as % of sales	8.6%	10.0%	10.5%			9.2%	10.4%	
Other expenditure	810	736	704	-13.1	-4.4	2,283	2,138	-6.4
as % of sales	16.9%	16.0%	14.9%			16.9%	15.8%	
EBITDA	706	694	810	14.7	16.6	2,189	2,230	1.9
Depreciation	193	217	214	10.8	-1.2	571	627	9.8
EBIT	513	478	596	16.1	24.7	1,618	1,603	-0.9
Other income	120	91	26	-78.6	-71.7	143	140	-2.0
Interest	150	197	155	3.3	-21.2	419	616	47.1
PBT	483	372	466	-3.4	25.4	1,342	1,127	-16.0
Total Tax	105	85	100	-4.9	18.4	292	250	-14.3
Adjusted PAT	377	287	366	-3.0	27.5	1,050	877	-16.5
(Profit)/loss from JVs/Associates/MI	0.0	0.0	0.0	NA	NA	0.0	0.0	NA
APAT after minority interest (MI)	377	287	366	-3.0	27.5	1,050	877	-16.5
Extraordinary items	0	0	-116	NA	NA	0	-116	NA
Reported PAT	377	287	250	-33.6	-12.8	1,050	761	-27.5
Adj. EPS	41.5	31.6	40.2	-3.0	27.5	115.4	96.3	-16.5
Margins (%)	3QFY25	2QFY26	3QFY26	(bps)	(bps)	9MFY25	9MFY26	(bps)
Gross margin	40.2	41.1	42.7	240	150	42.4	42.6	20
EBITDA	14.7	15.1	17.2	250	210	16.2	16.4	20
EBIT	10.7	10.4	12.6	190	230	12.0	11.8	-20
EBT	10.1	8.1	9.9	-20	180	10.0	8.3	-160
PAT	7.9	6.2	7.8	-10	150	7.8	6.5	-130
Effective tax rate	21.8	22.8	21.5	-30	-130	21.8	22.2	50

SOURCE: INCRED RESEARCH, COMPANY REPORTS

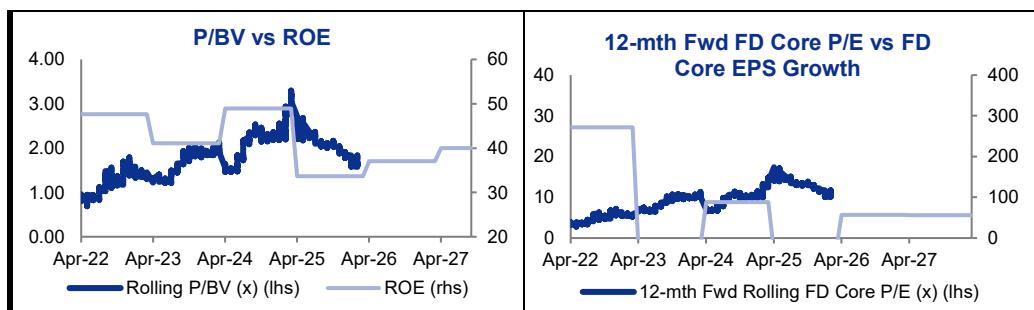
Figure 2: Our revised earnings estimates

Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	18,618	18,312	(1.6)	21,171	20,281	(4.2)	24,359	23,094	(5.2)
EBITDA	2,997	2,893	(3.5)	3,483	3,308	(5.0)	4,122	3,884	(5.8)
EBITDA margin (%)	16.1%	15.8%	0bp	16.5%	16.3%	0bp	16.9%	16.8%	0bp
Net profit	1,194	1,140	(4.5)	1,552	1,441	(7.1)	1,999	1,826	(8.6)
EPS	131.2	125.3	(4.5)	170.5	158.4	(7.1)	219.6	200.6	(8.6)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: We have high-conviction ADD rating on TCPL Packaging

BY THE NUMBERS



Profit & Loss					
(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	15,414	17,703	18,312	20,281	23,094
Gross Profit	6,576	7,633	7,801	8,741	10,092
Operating EBITDA	2,514	2,931	2,893	3,308	3,884
Depreciation And Amortisation	(716)	(755)	(834)	(921)	(1,015)
Operating EBIT	1,799	2,176	2,060	2,387	2,869
Financial Income/(Expense)	(560)	(583)	(695)	(641)	(631)
Pretax Income/(Loss) from Assoc.	106	143	158	178	199
Profit Before Tax (pre-El)	1,344	1,737	1,523	1,924	2,437
Exceptional Items					
Pre-tax Profit	1,344	1,737	1,523	1,924	2,437
Taxation	(352)	(307)	(382)	(483)	(612)
Exceptional Income - post-tax					
Profit After Tax	993	1,430	1,140	1,441	1,826
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	993	1,430	1,140	1,441	1,826
Recurring Net Profit	993	1,430	1,140	1,441	1,826
Fully Diluted Recurring Net Profit	993	1,430	1,140	1,441	1,826

Cash Flow					
(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	2,514	2,931	2,893	3,308	3,884
Cash Flow from Invt. & Assoc.					
Change In Working Capital	123	(1,220)	(394)	(251)	(612)
(Incr)/Decr in Total Provisions	32	33	20	15	15
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	606	606	581	524	524
Net Interest (Paid)/Received	(560)	(583)	(695)	(641)	(631)
Tax Paid	(377)	(431)	(382)	(483)	(612)
Cashflow From Operations	2,339	1,337	2,023	2,472	2,568
Capex	(1,423)	(1,590)	(1,150)	(1,235)	(1,248)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(27)	(20)	(20)	(40)	(40)
Other Investing Cashflow	(115)	(115)	(22)	(5)	(5)
Cash Flow From Investing	(1,565)	(1,726)	(1,192)	(1,280)	(1,293)
Debt Raised/(repaid)	5	998	200	(350)	(350)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(182)	(200)	(160)	(202)	(256)
Preferred Dividends					
Other Financing Cashflow	(584)	(584)	(593)	(535)	(535)
Cash Flow From Financing	(761)	215	(552)	(1,087)	(1,141)
Total Cash Generated	13	(174)	279	105	135
Free Cashflow To Equity	778	609	1,032	841	925
Free Cashflow To Firm	1,333	194	1,526	1,832	1,906

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	246	201	605	734	927
Total Debtors	3,449	4,628	4,329	4,862	5,536
Inventories	2,060	2,139	2,709	2,889	3,227
Total Other Current Assets	326	460	451	444	505
Total Current Assets	6,080	7,428	8,094	8,929	10,195
Fixed Assets	6,850	7,604	7,933	8,350	8,693
Total Investments					
Intangible Assets	48	68	88	128	168
Total Other Non-Current Assets	297	1,018	1,058	1,098	1,138
Total Non-current Assets	7,195	8,690	9,079	9,576	9,999
Short-term Debt	2,644	3,276	3,326	3,276	3,226
Current Portion of Long-Term Debt					
Total Creditors	1,807	2,152	2,007	2,334	2,657
Other Current Liabilities	566	550	543	656	779
Total Current Liabilities	5,017	5,978	5,876	6,266	6,662
Total Long-term Debt	2,248	2,614	2,764	2,464	2,164
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	294	680	686	674	682
Total Non-current Liabilities	2,542	3,294	3,451	3,138	2,846
Total Provisions	459	408	428	443	458
Total Liabilities	8,018	9,680	9,754	9,847	9,966
Shareholders Equity	5,257	6,438	7,418	8,658	10,228
Minority Interests					
Total Equity	5,257	6,438	7,418	8,658	10,228

Key Ratios					
	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	4.5%	14.8%	3.4%	10.8%	13.9%
Operating EBITDA Growth	6.5%	16.6%	(1.3%)	14.3%	17.4%
Operating EBITDA Margin	16.3%	16.6%	15.8%	16.3%	16.8%
Net Cash Per Share (Rs)	(510.56)	(625.22)	(602.82)	(550.14)	(490.46)
BVPS (Rs)	577.72	707.43	815.20	951.39	1,123.93
Gross Interest Cover	3.21	3.73	2.96	3.72	4.55
Effective Tax Rate	26.2%	17.7%	25.1%	25.1%	25.1%
Net Dividend Payout Ratio	18.3%	14.0%	14.0%	14.0%	14.0%
Accounts Receivables Days	75.81	83.26	89.27	82.71	82.17
Inventory Days	92.30	76.11	84.18	88.54	85.85
Accounts Payables Days	70.80	71.76	72.21	68.64	70.06
ROIC (%)	16.9%	16.5%	14.7%	16.1%	18.1%
ROCE (%)	18.5%	19.4%	16.2%	17.3%	19.2%
Return On Average Assets	12.2%	13.7%	11.0%	11.7%	12.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition: The stock's total return is expected to exceed 10% over the next 12 months.

Add The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Hold The stock's total return is expected to fall below 0% or more over the next 12 months.

Reduce *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.*

Sector Ratings

Definition: An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Overweight A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Neutral 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.