TCPL Packaging Limited

Instrument	Amount (Rs. Crore)	Rating Action
Long-term loans	224.59	[ICRA]A (stable) assigned
Short-term non-fund based facilities – Letters of Credit/Bank Guarantees	20.00	[ICRA]A1 assigned
Long-term, fund-based facilities	100.00	[ICRA]A (stable) outstanding

ICRA has assigned a long-term rating of [ICRA]A (pronounced ICRA A) to the Rs. 224.59 crore[1] term loans and a short-term rating of [ICRA]A1 (pronounced ICRA A one) to the Rs. 20.0 crore non-fund based facilities of TCPL Packaging Limited (TCPL)[2]. The outlook on the long-term rating is Stable.

ICRA has a long-term rating outstanding of [ICRA]A (pronounced ICRA A) for the Rs. 100.00 crore[3], long-term, fund-based facilities of TCPL Packaging Limited (TCPL). The outlook on the rating is Stable.

The assigned rating takes into consideration the long track record of the promoters of the company in the field of manufacture of packaging materials and TCPL's significant presence in the organised packaging market and the favourable demand prospects, which augur well for the company. The rating also factors in the diversified industries catered to by the company. The rating also draws comfort from the healthy scale up of revenues, backed by both volume and realisation growth, and the moderate working capital intensity of operations.

The rating is, however, constrained by the leveraged capital structure and moderate coverage indicators of the company due to debt-funded capital expenditure, the moderate return indicators, and the susceptibility of profitability to input price fluctuations, though the latter risk is partly mitigated by the ability of the company to pass on the fluctuations in prices to the customers at a lag of one-two months. While the company caters to a wide range of industries, the company has sizeable exposure to the fast moving consumer goods (FMCG) and the cigarette industry, which have together contributed to ~65% of the company's revenues in FY2016,

ICRA notes that TCPL has diversified into flexible packaging segment, which would further enable it diversify its client profile. The timely commercialisation, stabilisation and subsequent scaling up of operations of this unit and the consequent broad-basing of the clientele is a key rating sensitivity. ICRA further notes that the company will continue to undertake debt-funded capital expenditure based on market demand and the ability of the company to maintain a comfortable capital structure amidst this is a key monitorable.

Company Profile

Incorporated as Twenty-First Century Printers Limited (TCPL) in August 1987 as a public listed company, this entity is promoted by Kanoria family and had commenced operations by manufacturing packaging materials – majorly printed blanks used in the cigarette industry, using a gravure printing press installed at Silvassa (Dadra and Nagar Haveli). The company has since changed its name from Twenty First Century Printers Limited to TCPL Packaging Limited (TCPL) in 2008.

Currently, the company is engaged in the manufacture of packaging materials, based on gravure and offset printing technologies. The end products find application in a wide range of industries such as fast moving consumer goods (FMCG), cigarettes, liquor, pharmaceuticals, pesticides, stationery, food products etc. The company has in aggregate nine offset printing lines at Silvassa, Haridwar, Goa and Guwahati and three gravure printing lines as on 31st March 2016. Till FY2016, the aggregate installed production capacity of the company was 80,400 metric tons per annum (MTPA) (14,400 MTPA for the gravure printing line and 66,000 MTPA for the offset printing line). Inseptember 2016, the company inaugurated its flexible packaging unit with an installed capacity of 8,800 MTPA. Additionally, in December 2016, the company has also inaugurated a new offset printing line at Silvassa, with an installed capacity of 9,000 MTPA. The aggregate installed capacity of the company currently is thus 98,200 MTPA.

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[1] 100 lakh = 1 crore = 10 million
[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications
[3] 100 lakh = 1 crore = 10 million

Recent Results

For the twelve months ended March 31, 2016, TCPL reported a profit after tax (PAT) of Rs. 38.3 crore on an operating income of Rs. 592.6 crore as against a PAT of Rs. 32.2 crore on an operating income of Rs. 497.8 crore for the twelve months ended March 31, 2015.

For the six months ended September 30, 2016 (provisional), TCPL has reported a PAT of Rs. 17.9 crore on an operating income of Rs. 305.9 crore.

D***ecember 2016***

For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Mr. Manikankana Ray (Tel No. +91 22-6114 3417)
manikankana.ray@icraindia.com

Ms. Kinjal Shah (Tel. No. 022-6114 3442)
kinjal.shah@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	