

TCPL Packaging

Viewpoint

Positives are priced in; book profit (70% gains in six weeks)

CMP: Rs425

Key points

- As anticipated, TCPL Packaging Ltd (TCPL) has posted a strong operating performance in H1FY2015 with revenues growing upwards by 20% (largely driven by a strong double-digit volume growth) and PAT growing by about four times on a Y-o-Y basis. Being one of the largest packaging player (with expertise in carton packaging largely used in FMCG space), we believe the strong volume-led operating performance to sustain in the near- to medium-term.
- In addition to cost optimisation, the debt reduction and improving the working capital remains the key focus area of the company in the coming years. With no major capex ahead, TCPL would see improvement in cash flows and strong return ratios would sustain in the coming years.
- However, the recent sharp run up in TCPL's stock price (by about 70% since our initiation of viewpoint on September 24, 2014) have priced in all the positives. We believe the current valuations of TCPL packaging at 10-12x of its FY2016E are fairly valued, capping the significant upside from the current level. Hence, we recommend our investors to take home handsome gains within short span and wait for a better point to re-enter into the stock.

Valuations

Particulars	FY2013	FY2014	FY2015E	FY2016E
Revenues (Rs cr)	373	395	502	653
Growth Y-o-Y (%)	32	6	27	30
EBITDA (Rs cr)	56	61	83	111
Margin (%)	14.9	15.5	16.6	16.9
Reported PAT (Rs cr)	14	13	30	40
Adj. PAT (Rs cr)	14	13	30	40
Margin (%)	3.6	3.2	5.9	6.2
Adj. EPS (Rs)	15.5	14.4	34.3	46.3
BV (Rs)	90	101	131	171
P/E (x)	29.0	31.3	13.1	9.7
P/B (x)	5.0	4.5	3.4	2.6
Ev/EBITDA	9.5	8.7	6.4	4.8
D/E (x)	1.6	1.6	1.6	1.3
RoE (%)	17.3	14.2	26.1	27.1
RoCE (%)	12.0	11.7	14.3	17.6

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