

EQUITY RESEARCH

# Pick of the Week

Date: 09<sup>th</sup> September 2019



RETAIL RESEARCH

# Tamil Nadu Newsprint & Papers Ltd

## Key Highlights

- ▶ TNPL is adding capacities in a phased manner in years 2021-2024, leading to healthy multiyear organic growth.
- ▶ Adequate water availability resulting from heavy rainfall in TN/Karnataka will help maintain normal production.
- ▶ Levy of 10% import duty on newsprint in the recent Union Budget will help raise and sustain realisations.
- ▶ Closure of some paper plants in China could help improve demand supply situation for paper manufacturers.
- ▶ Improving margin profile in Q1FY20 portend better times ahead.

### INDUSTRY

Paper and paper products

### CMP

Rs 190.4

### RECOMMEND

Buy at CMP and add on declines

### ADD ON DIPS TO

Rs 169-173

### SEQUENTIAL TARGETS

Rs. 215.5-237.5 **RED FLAG** Rs. 162

### TIME HORIZON

3-4 quarters

Investors may sell 60-65% of their holdings on first target being achieved and later keep a stop loss of first target for the balance holdings, in case the second target takes time to be achieved.  
Investors may also maintain Rs.162 as **RED FLAG** level below which investment position needs to be reviewed, including the possibility to exit

|                     |            |
|---------------------|------------|
| HDFC Scrip Code     | TAMNEWEQNR |
| BSE Code            | 531426     |
| NSE Code            | TNPL       |
| Bloomberg           | TNNP IN    |
| CMP Sept 6th 2019   | Rs. 190.4  |
| Equity Capital (cr) | 69.4       |
| Face Value (Rs)     | 10.0       |
| Eq- Share O/S(cr)   | 6.9        |
| Market Cap(Rscr)    | 1321.3     |
| Book Value (Rs)     | 238.1      |
| Avg.52 Wk Volume    | 90145.2    |
| 52 Week High        | 323.7      |
| 52 Week Low         | 151.3      |

#### Shareholding Pattern % (June 30, 2019)

|                  |       |
|------------------|-------|
| Promoters        | 35.3  |
| Institutions     | 40.7  |
| Non Institutions | 23.9  |
| Total            | 100.0 |

#### FUNDAMENTAL ANALYST

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#### Investment rationale:

- TNPL is adding capacities in a phased manner in years 2021-2024, leading to healthy multiyear organic growth.
- Adequate water availability resulting from heavy rainfall in Tamil Nadu and release of water from Cauvery/Mettur dams due to sufficient rainfall in Karnataka will help overcome production closure and maintain normal production.
- Levy of 10% import duty on newsprint in the recent Union Budget will help raise and sustain realisations.
- Closure of some paper plants in China could help improve demand supply situation for paper manufacturers.
- Improving margin profile in Q1FY20 portend better times ahead.

#### Concerns:

- Softer demand from the FMCG sector in FY20 remains a concern, as this sector is one of the main consumers of MCPB.
- Water crisis/availability in Tamil Nadu can recur in future, which might affect paper production in future.
- Slow industry growth in writing paper industry due to various structural shifts in usage patterns, is a challenge for TNPL.
- High gearing and modest debt protection ratios.
- Exposed to project implementation risks.

#### Company profile:

Tamil Nadu Newsprint and Papers Limited (TNPL) is engaged in the business of printing and writing paper and paperboards. The company has two units in Tamil Nadu. The Company's segments include paper, energy and cement. It manufactures printing and writing papers in substances ranging from 50 grams per square meter (GSM) to 110 GSM. TNPL Copier Brand has become a household name. The Company has a total annual capacity of approximately 6,00,000 metric tons (MT) per annum (production 609569 MT in FY19). The Company also exports its products to over 50 countries. In FY19, exports accounted for 13.5% of sales. TNPL is the second largest player in the domestic WPP segment. It has strong market position supported by its established brand, diversified product portfolio and customer base, wide distribution network and regular capacity expansions. The State Govt of Tamilnadu holds 35.3% stake in TNPL.

#### View and valuation:

- TNPL seems to be in a sweet spot with most factors now in its favour. Customs duty, ADD (anti-dumping duty) have led to better realisations, while bagasse availability is better and coal prices have moderated. Capacity expansion plans could provide it with organic growth from FY22. Its established brand, strong distribution network and diversified product portfolio/customer base will help register good growth going forward.
- It will also benefit out of structural tailwinds - the waste paper import ban in China, global restrictions on single-use plastic, deforestation and the emergence of e-commerce. Increasing awareness among consumers towards eco-friendly and sustainable packaging options along with increasing trend towards reducing the use of plastic has led to a sustained demand for paper and board packaging. Increase in literacy rate and increasing enrolment in education could lead to higher demand of paper in India. When globally, paper consumption has witnessed negative / stagnant growth, in India the past few years has been very strong. With increasing income levels and urbanization per capita paper consumption in the country will gradually improve resulting in higher demand mainly in consumer paper grades like Writing and Printing with various end-applications like text book publishing, Student Notebooks, cut-size paper for photo copier and inkjet printers.

**We feel investors could buy the stock at the CMP and add on declines to Rs.169-173 band (~5.7x FY21E EPS) for sequential targets of Rs.215.5 (7.2x FY21E EPS) and Rs.237.5 (8.0x FY21E EPS) in 3-4 quarters.**

## Key Highlights

- ❖ *Capacity additions of 1,65,000 MTPA at Unit II in a phased manner in 2021-2024 will boost revenues and margins.*
- ❖ *Anti-Dumping duties, and introduction of import tariffs of 10% & 5% on Newsprint & Printed books respectively, acts as a cushion for the domestic paper industry.*
- ❖ *Reasonable amount of rainfall in the state of Tamil Nadu/Karnataka, and release of water from the Cauvery Mettur dam will help avoid production shutdowns.*
- ❖ *Closure of some of the paper mills in China, might help in cooling down the competition.*

| Financial Summary |        |        |         |        |         |        |        |        |        |
|-------------------|--------|--------|---------|--------|---------|--------|--------|--------|--------|
| YE March (Rs cr)  | Q1FY20 | Q1FY19 | YoY (%) | Q4FY19 | QoQ (%) | FY18   | FY19   | FY20E  | FY21E  |
| Net Sales         | 951.1  | 925.3  | 2.8%    | 1048.3 | -9.3%   | 3098.3 | 4082.7 | 4158.2 | 4338.7 |
| EBITDA            | 216.2  | 144.0  | 50.1%   | 201.7  | 7.2%    | 404.9  | 649.2  | 684.4  | 739.8  |
| APAT              | 77.1   | 24.6   | 212.3%  | 13.4   | 471.5%  | -42.2  | 94.4   | 179    | 206.3  |
| Diluted EPS (Rs)  | 11.1   | 3.5    | 212.3%  | 1.9    | 471.5%  | -6.1   | 13.6   | 25.8   | 29.7   |
| P/E (x)           |        |        |         |        |         | -31.3  | 14     | 7.4    | 6.4    |
| EV / EBITDA (x)   |        |        |         |        |         | 8.0    | 4.3    | 4.5    | 5.1    |
| RoE (%)           |        |        |         |        |         | -2.6%  | 5.7%   | 10.1%  | 10.8%  |

(Source: Company, HDFC sec)

## Company profile:

Tamil Nadu Newsprint and Papers Limited (TNPL) was established by the Government of Tamil Nadu in 1979 to produce newsprint and writing paper using bagasse, a sugarcane residue. Its business is manufacture and marketing of Paper, Paper Board, Cement and Generation of Power. The installed capacity of Paper is 400000 tons per annum (TPA), Paper Board is 200000 Tons per annum (TPA), 1180 tonnes per day of pulp capacity and Cement is 900 tons per day (TPD). Power Generation Capacity is 174.12 MW consists of 138.62 of Turbo Generators (TG's) and 35.50 MW of Wind Farm. Generation of Power is primarily for self-consumption and surplus is sold.

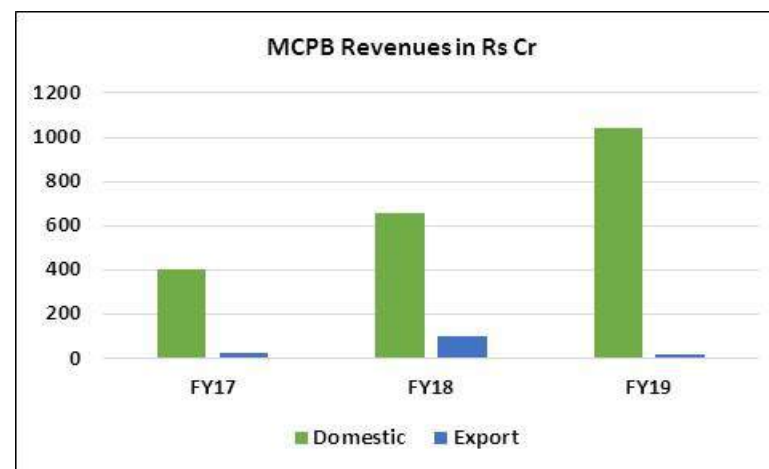
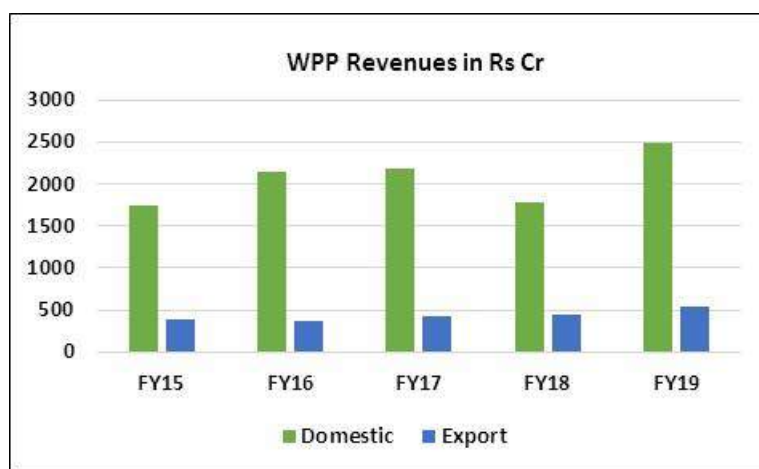
The Unit- I of TNPL at Kagithapuram, Karur district was commissioned in October 1985 with an installed capacity of 90,000 TPA of Newsprint/Fine Paper, in a single machine. Over a period of time, TNPL has added two more paper machines, besides upgrading the existing Paper machine. The increased production capacity of 400,000 TPA of writing and printing papers (WPP) has made TNPL as one of the largest manufacturers in the world using bagasse as primary raw material. With an increased demand, the company has expanded the pulping capacity by way of installing new chemical hardwood line, upgrading the chemical bagasse pulp line and setting up a new deinked pulp line besides adopting ECF bleaching in all the chemical pulp lines. Simultaneously, the company has also increased the power plant capacity to meet the steam and energy requirement of the expanded mill. All the three modern high-speed paper machines are capable of producing variety of Writing and Printing papers.

As the Paper Board is recognized to be a growing product, TNPL forayed into this market segment. Accordingly, a Paper Board project was conceived, and thus TNPL Unit-II emerged. A total of 874 acres of land was acquired in Mondi Patti and nearby area in Manapparai Taluk, Trichy District to set up a Board Plant. TNPL Unit-II was designed to produce 200,000 MT per annum high grade Paper Board for usage in pharmaceutical, health care, food, cosmetics and other consumer product industries, in various GSM ranging from 170 to 450. With the completion of Board Project in January 2016, the total production capacity of TNPL has increased to 600,000 MT per annum. The MCPB unit has achieved cash breakeven in fiscal 2019.

It has also commissioned a cement plant in January 2013 with an capacity of 600 tpd to manufacture high grade cement from mill waste materials viz., Lime sludge and fly ash. TNPL is the first mill in the paper industry to produce cement from these solid wastes. TNPL has enhanced the production capacity to 900 tpd by introducing a Pre-calciner and other balancing equipment in the existing Cement Plant. The project was fully implemented by January 2016.

MCPB is used by industrial players for packaging consumer products, while WPP is used for making notebooks, textbooks, copier paper and diaries.

TNPL has a long-term tie-up with several sugar mills in the vicinity for the supply of bagasse, against which steam or coal to the extent of the calorific value of bagasse are exchanged. TNPL also enters into short-term tie-ups with other sugar mills during periods of reduced availability of bagasse. The prices of bagasse are dependent on sugar cane production in Tamil Nadu and cost of coal, mainly imported. TNPL has also been using wood for pulping. To ensure availability of wood, TNPL initiated farm forestry and captive plantation schemes in FY05. By the end of FY19, the company had 146436 acres under these schemes. Apart from the farm forestry programme and captive sources, significant quantities of wood are currently being procured from the two Government of Tamil Nadu entities—TAFCON (Tamil Nadu Forest plantation Corporation Ltd) and PCCF (Principal Chief Conservator of Forests). TNPL has entered into a 15-year supply contract with these agencies, wherein they will sell up to 70% of their annual production to TNPL.



## Plants

| Plants              | Capacity- MTPA | Remark   |
|---------------------|----------------|--|
| Unit I-Kagithapuram | 400000         | Manufactures Writing and printing Paper in substances ranging from 50 grams per square meter (GSM) to 110 GSM  |
| Mondi Patti Unit II | 200000         | Manufactures high grade Paper Board for usage in pharmaceutical, health care, food, cosmetics and other consumer product industries, in various GSM ranging from 170 to 450. |

## Key updates/triggers

### TNPL is adding into its capacities in a phased manner in between 2021-2024 leading to healthy multi-year organic growth:

TNPL is adding 1,65,000 MTPA capacity at Unit II in 2021-24 years, in a phased, manner, with a capital outlay of Rs 2520cr. 80% of the cost will be debt funded, which would be paid off from internal accruals. This addition will increase the capacity from present 6,00,000 MTPA (4,00,000 MTPA - writing and printing paper; & 2,00,000

MTPA - Multi-Layer Coated Paperboards) to 7,65,000 MTPA. The project has been accorded environmental clearance. The company has initiated action for inviting bids from the leading global suppliers of Pulp and Recovery systems.

Phase I will involve a capex of Rs 1100cr towards expansion of its pulp capacity by 140,000 tonnes per annum (tpa) and will be implemented between fiscal 2020 and 2022. Capex in phase II will be Rs 1420cr towards setting up new WPP capacity of 165,000 tpa with additional captive pulp capacity and will be implemented between fiscals 2022 and 2024 (post commencement of phase I).

TNPL is operating at peak utilization levels and the additional capacity will help organic growth from FY22 onwards. This will lead to lower dependence on imported pulp for MCPB leading to better margins.

**Adequate water availability resulting from heavy rainfall in Tamil Nadu and release of water from Cauvery/Mettur dams due to sufficient rainfall in Karnataka will help overcome production closure and maintain normal production:**

TNPL draws roughly, 56 million litres per day from the Cauvery at a pumping station in Kattipalayam village in Namakkal district. It also looks up to the Mettur dam, which depend upon the southwest monsoon, and release of water to Tamil Nadu by Karnataka. As per the ongoing scenario of surplus rainfall, and substantial inflow into the Mettur Dam, Tamil Nadu government announced that it would open the sluice gates of the dam in Salem district on 13th August 2019.

The intensive southwest monsoon in Cauvery basin has resulted in increased storage level in Mettur reservoir. Thus, release of the same from Mettur will fill up approximately 700 ponds, and tanks in the Cauvery delta region. Sufficient rainfall in Karnataka would mean that it would be willing to share more water from Cauvery with Tamilnadu. This will help TNPL draw Cauvery water from its pumping station. As paper industry to be a water intensive one, this will increase production, and sales numbers, thereby, resulting in good top-line, and bottom-line figures.

**Levy of 10% import duty on newsprint in the recent Union Budget will help raise and sustain realisations.**

In the recent Union Budget, the FM has levied customs duty on Newsprint at 10% (vs Nil hitherto) and 5% on Printed imported books (including covers) from Nil hitherto. This was a move to provide a level playing field for domestic manufacturers. As per the FM, in the last few months, there has been a drastic fall in price overseas from \$700 per tonne to \$500 per tonne and such kind of fall in global newsprint prices has affected the Indian manufacturers so badly that they are not able to find takers for their products.

Also in January 2019, the central Government imposed a three-year anti-dumping duty with a threshold price of \$855 per tonne towards the import of uncoated copier paper from Indonesia, Singapore, and Thailand.

**Closure of some paper plants in China could help improve demand supply situation for paper manufacturers:**

The Sino-US trade war has forced China to shut down more factories. News about all paper mills around China's second largest freshwater lake to be shut down by 2019 are doing the rounds. Government authorities of central China's Hunan Province said that all pulp-making, and outdated paper-making capacity in three cities and one district around Dongting Lake will be closed by the end of 2018, and all paper mills in this area will be shut down by the end of 2019.

Dongting Lake is the second largest freshwater lake in China. The lake is rich in reeds, giving rise to many paper-making and pulp-making mills. While contributing to taxes and employment, they also caused water pollution. Thus, due to, environmental issues, the Chinese industry is getting hit hard.

The above will help improve the demand supply situation for paper manufacturers across the globe.

### Improving margin profile in Q1FY20 portend better times ahead:

Financials have improved quite a lot since FY18. From FY19 itself we can witness an up-turn where, sales margin, EPS, return ratios, and dividend pay-out, increased. Q1FY20 results were exceptionally good with, profitability rising by 212.3% Y-o-Y, from Rs 24.7cr to Rs 77.1cr, and 471.5% Q-o-Q, up from Rs 13.5cr in the previous quarter.

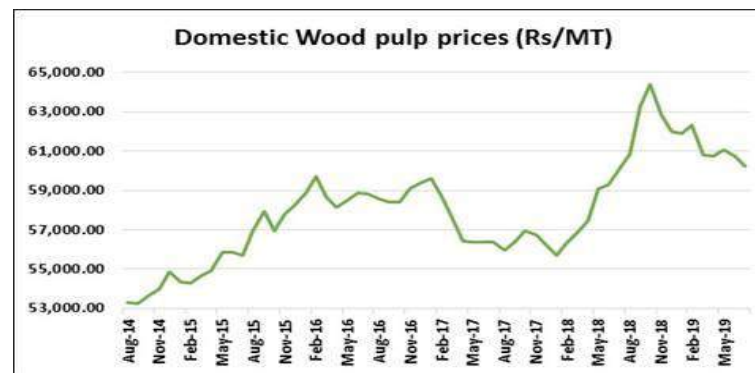
TNPL had suffered in FY18 due to severe drought and consequent water shortage in 2017-18 as a result of which paper production was affected from February 2017 to July 2017. In addition, in Q4FY19 it had made provisions of Rs.73 cr towards outstanding deposits/advances considered doubtful.



### Improving margin profile in Q1FY20 portend better times ahead:

TNPL's operating margins in WPP are among the highest in the industry owing to strong efficiencies arising out of backward integration, long-term supply tie-ups, economies of scale and captive power plant.

In H2FY19, TNPL benefitted out of soft pulp prices internationally, moderation in coal prices and better availability of bagasse. In addition the anti-dumping duty, levy of import duty will also help TNPL maintain and raise margins going forward. MCPB volume growth and realisation could be under some pressure due to softness in FMCG sector and rising capacities.



Source: Index-Mundi

## Concerns

### **Softer demand from the FMCG sector in FY20 remains a concern, as this sector is one of the main consumers of MCPB:**

Slow growth in rural & urban incomes and delayed & unequal distribution of rains, has resulted in a state of gloom for the FMCG sector, which happen to be the end consumer of this industry.

### **Capacity addition made by other firms in the domestic area, can create pricing pressure:**

There have been capacity additions in the past two years in various other paper companies in the country. This might end up in extra supply resulting in pricing pressure, and lower realizations in case demand grows at a slow pace.

### **Water crisis/availability in Tamil Nadu can recur in future, which might affect paper production in future:**

Paper manufacture requires lot of water. Although the water availability situation in the foreseeable future looks comfortable, Tamilnadu has a history of droughts and low availability of water due to its tiff with neighbouring Karnataka on sharing of Cauvery waters.

### **Slower industry growth in writing paper industry due to various structural shifts in usage patterns, is a challenge for TNPL:**

Due to shift towards digitization, demand for WPP may drop in future leading to slower industry growth in this segment.

### **High gearing and modest debt protection ratios:**

Debt funded capacity expansions in the past have resulted in modest gearing. The debt equity ratio has improved to 0.9 times as on March 31, 2019 from 1.7 times as on March 31, 2016, and debt/EBITDA ratio has improved to 2.4 times from 4.2 times during the same period. The proposed capex of Rs 2520cr from fiscal 2020 is expected to be 80% debt funded. However good margins, cash generation and progressive debt repayments will ensure that the ratio does not go too high.

### **Volatility in imported pulp prices.**

As TNPL currently doesn't have adequate captive pulping capacity to cater to both its units, it imports pulp to meet a large portion of the raw material requirement in the MCPB unit. This exposes the company to volatility in the movement of global pulp prices

### **Exposed to project implementation risks.**

The company is undertaking a large capex of Rs 2,520 Cr. This large project exposes TNPL to project-related risks over the medium term including time or cost overruns, and stabilization and ramp up in operations.

## View and valuation

- TNPL seems to be in a sweet spot with most factors now in its favour. Customs duty, ADD duty have led to better realisations, while bagasse availability is better and coal prices have moderated. Capacity expansion plans could provide it with organic growth from FY22. Its established brand, strong distribution network and diversified product portfolio/customer base will help register good growth going forward.
- It will also benefit out of structural tailwinds - the waste paper import ban in China, global restrictions on single-use plastic, deforestation and the emergence of e-commerce. Increasing awareness among consumers towards eco-friendly and sustainable packaging options along with increasing trend towards reducing the use of plastic has led to a sustained demand for paper and board packaging. Increase in literacy rate and increasing enrolment in education could lead to higher demand of paper in India. When globally, paper consumption has witnessed negative / stagnant growth, in India the past few years has been very strong. With increasing income levels and urbanization per capita paper consumption in the country will gradually improve resulting in higher demand mainly in consumer paper grades like Writing and Printing with various end-applications like text book publishing, Student Notebooks, cut-size paper for photo copier and inkjet printers.

We feel investors could buy the stock at the CMP and add on declines to Rs.169-173 band (~5.75x FY21E EPS) for sequential targets of Rs.215.5 (7.25x FY21E EPS) and Rs.237.5 (8.0x FY21E EPS) in 3-4 quarters.

### Peer Comparison

| Companies                       | FY19                              |       |       |          |          |      |      |           |       |       |
|---------------------------------|-----------------------------------|-------|-------|----------|----------|------|------|-----------|-------|-------|
|                                 | Income from operations (Rs in Cr) | OPM % | PAT%  | EPS (Rs) | CMP (Rs) | P/E  | P/BV | EV/EBITDA | ROE   | ROCE  |
| TNPL                            | 4082.7                            | 15.9% | 2.3%  | 13.6     | 190.5    | 14.0 | 0.8  | 4.3       | 5.7%  | 14.5% |
| Seshasayee Paper and Boards Ltd | 1325.5                            | 24.0% | 14.5% | 30.5     | 181.2    | 5.9  | 1.3  | 3.1       | 23.7% | 29.6% |
| JK PAPER LTD                    | 3256.9                            | 28.2% | 13.0% | 23.8     | 109.7    | 4.6  | 1.0  | 4.3       | 23.1% | 23.7% |

(Source: Company, HDFC)

### Quarterly Financials

| Particulars (Rs, cr)   | Q1FY20 | Q1FY19 | YoY-%   | Q4FY19 | QoQ-%   |
|------------------------|--------|--------|---------|--------|---------|
| Total Operating Income | 951.1  | 925.3  | 2.8%    | 1048.3 | -9.3%   |
| Raw Material Consumed  | 400.2  | 517.9  | -22.7%  | 535.1  | -25.2%  |
| Stock Adjustment       | 35.1   | 44.4   | -21.0%  | 20.3   | 73.1%   |
| Changes in inventories | 6.9    | -73.8  | -109.4% | -121.1 | -105.7% |
| Employee Expenses      | 69.1   | 65.4   | 5.7%    | 66.9   | 3.3%    |
| Other Expenses         | 223.6  | 227.4  | -1.7%   | 345.4  | -35.3%  |
| Total Expenditure      | 734.9  | 781.3  | -5.9%   | 846.5  | -13.2%  |
| EBITDA                 | 216.2  | 144.0  | 50.1%   | 201.8  | 7.2%    |
| Depreciation           | 57.1   | 56.2   | 1.6%    | 56.5   | 1.1%    |
| EBIT                   | 159.1  | 87.8   | 81.2%   | 145.3  | 9.5%    |
| Other Income           | 9.5    | 9.9    | -4.0%   | 10.9   | -12.7%  |
| Interest               | 54.4   | 58.9   | -7.7%   | 56.1   | -3.0%   |
| Exceptional items      | 0.0    | 0.0    | NA      | -73.2  | -100.0% |
| Earning before tax     | 114.3  | 38.8   | 194.2%  | 27.0   | 324.0%  |
| Tax Paid               | 37.2   | 14.2   | 162.8%  | 13.5   | 176.2%  |
| Reported PAT           | 77.1   | 24.7   | 212.3%  | 13.5   | 471.5%  |
| EPS (Adj) (Unit Curr.) | 11.14  | 3.57   | 212.3%  | 1.95   | 471.5%  |

(Source: Company, HDFC sec)

## Financials: Income Statement

| Particulars, Rs in Cr      | FY17   | FY18   | FY19   | FY20E  | FY21E  |
|----------------------------|--------|--------|--------|--------|--------|
| Income from operations     | 2949.8 | 3098.3 | 4082.7 | 4158.2 | 4338.7 |
| Cost of materials consumed | 1082.5 | 1333.2 | 2013.9 | 2020.9 | 2100.0 |
| Employee benefits expense  | 246.9  | 246.3  | 267.5  | 266.1  | 269.0  |
| Other expenses             | 910.1  | 834.6  | 1127.8 | 1126.9 | 1171.5 |
| Total Expenses             | 2220.8 | 2693.5 | 3433.5 | 3473.8 | 3599.0 |
| EBITDA                     | 729.0  | 404.9  | 649.2  | 684.4  | 739.8  |
| Depr- and amort- exp       | 207.7  | 221.8  | 226.7  | 230.6  | 238.6  |
| EBIT                       | 521.3  | 183.0  | 422.5  | 453.9  | 501.1  |
| Other income               | 37.0   | 33.6   | 39.2   | 9.6    | 24.3   |
| Finance costs              | 252.0  | 244.6  | 233.4  | 185.6  | 205.8  |
| PBT                        | 306.2  | -28.0  | 155.2  | 277.8  | 319.6  |
| Net tax expense            | 41.6   | 14.2   | 60.8   | 98.8   | 113.3  |
| PAT                        | 264.6  | -42.2  | 94.4   | 179.0  | 206.3  |
| EPS (F.V 10)               | 38.1   | -6.1   | 13.6   | 25.8   | 29.7   |

## Balance Sheet

| Particulars, Rs in Cr         | FY17          | FY18          | FY19          | FY20E         | FY21E         |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>EQUITY AND LIABILITIES</b> |               |               |               |               |               |
| Share capital                 | 69.4          | 69.4          | 69.4          | 69.4          | 69.4          |
| Reserves and surplus          | 1635.3        | 1533.8        | 1582.3        | 1704.2        | 1849.9        |
| Long-term borrowings          | 1652.1        | 1450.3        | 1247.0        | 1558.7        | 2260.2        |
| Deferred tax liabilities      | 205.8         | 221.7         | 228.7         | 343.0         | 480.2         |
| Other non-current liabilities | 0.3           | 0.3           | 0.3           | 0.5           | 0.5           |
| Long-term provisions          | 104.9         | 110.1         | 108.2         | 98.4          | 108.3         |
| Short-term borrowings         | 742.6         | 508.6         | 283.1         | 297.3         | 312.2         |
| Trade payables                | 557.7         | 768.7         | 1208.1        | 1118.6        | 1174.5        |
| Other current liabilities     | 645.4         | 838.2         | 777.4         | 858.9         | 910.4         |
| Short-term provisions         | 16.7          | 23.7          | 27.0          | 43.4          | 52.2          |
| <b>TOTAL</b>                  | <b>5630.3</b> | <b>5524.7</b> | <b>5531.5</b> | <b>6092.4</b> | <b>7217.7</b> |
| <b>ASSETS</b>                 |               |               |               |               |               |
| Fixed assets                  | 4152.6        | 4083.7        | 3905.2        | 4639.5        | 5618.9        |
| Non-current investments       | 1.1           | 1.0           | 0.7           | 1.0           | 1.1           |
| Long-term loans and advances  | 85.0          | 76.9          | 29.7          | 30.3          | 30.9          |
| Other non-current assets      | 35.4          | 13.9          | 32.6          | 34.3          | 30.2          |
| Inventories                   | 571.3         | 484.2         | 860.8         | 653.8         | 727.1         |
| Trade receivables             | 529.9         | 598.8         | 441.6         | 615.2         | 659.9         |
| Cash and cash equivalents     | 21.4          | 27.2          | 51.4          | 79.2          | 97.5          |
| Short-term loans and advances | 84.6          | 37.4          | 22.3          | 21.1          | 20.1          |
| Other current assets          | 149.0         | 201.6         | 187.1         | 18.0          | 32.0          |
| <b>TOTAL</b>                  | <b>5630.3</b> | <b>5524.7</b> | <b>5531.5</b> | <b>6092.4</b> | <b>7217.7</b> |

(Source: Company, HDFC sec)

| Cash Flow | Particulars, Rs in Cr                  | FY17   | FY18   | FY19   | FY20E  | FY21E   |
|-----------|--|--------|--------|--------|--------|---------|
|           | EBT                                    | 257.5  | -28.0  | 155.2  | 277.8  | 319.6   |
|           | Depreciation                           | 207.7  | 221.8  | 226.7  | 230.6  | 238.6   |
|           | Interest & Others                      | 279.6  | 225.8  | 308.7  | 185.6  | 205.8   |
|           | Change in working capital              | -387.5 | 418.5  | 165.2  | 212.0  | -14.7   |
|           | Tax expenses                           | -75.1  | -13.6  | -36.9  | -98.8  | -113.3  |
|           | CF from Operating activities           | 282.2  | 824.5  | 818.9  | 807.2  | 636.0   |
|           | Net Capex                              | -98.9  | -121.6 | -54.2  | -964.8 | -1218.1 |
|           | (Purchase)/Sale of Investment & Others | 0.1    | 0.0    | 0.3    | 102.2  | 150.5   |
|           | Div & int rec                          | 10.5   | 10.8   | 7.0    | 7.3    | 7.7     |
|           | CF from Investing activities           | -88.3  | -110.8 | -46.9  | -855.3 | -1059.8 |
|           | Borrowings/(Repayments)                | 136.3  | -356.3 | -572.8 | 325.9  | 686.6   |
|           | Dividends paid                         | -62.5  | -62.5  | -41.7  | -55.5  | -59.0   |
|           | Interest paid                          | -262.6 | -247.6 | -234.3 | -185.6 | -205.8  |
|           | CF from Financing activities           | -188.7 | -666.4 | -848.9 | 84.8   | 421.8   |
|           | Net Cash Flow                          | 5.1    | 47.4   | -76.9  | 36.6   | -2.0    |

(Source: Company, HDFC sec)

| Key Ratios | Particulars                   | FY17   | FY18   | FY19   | FY20E  | FY21E  |
|------------|-------------------------------|--------|--------|--------|--------|--------|
|            | No of Equity Shares-cr        | 6.9    | 6.9    | 6.9    | 6.9    | 6.9    |
|            | Enterprise Value-cr           | 3694.6 | 3253.0 | 2800.0 | 3098.2 | 3796.1 |
|            | EPS                           | 38.1   | -6.1   | 13.6   | 25.8   | 29.7   |
|            | Cash EPS (PAT + Depreciation) | 294.5  | -10.2  | 127.1  | 212.3  | 240.7  |
|            | Book Value Per Share(Rs.)     | 245.7  | 231.1  | 238.1  | 255.6  | 276.6  |
|            | PE(x)                         | 5.0    | -31.3  | 14.0   | 7.4    | 6.4    |
|            | P/BV (x)                      | 0.8    | 0.8    | 0.8    | 0.7    | 0.7    |
|            | Mcap/Sales(x)                 | 0.4    | 0.4    | 0.3    | 0.3    | 0.3    |
|            | EV/EBITDA                     | 5.07   | 8.03   | 4.31   | 4.53   | 5.13   |
|            | EBITDAM (%)                   | 24.7%  | 13.1%  | 15.9%  | 16.5%  | 17.1%  |
|            | EBITM (%)                     | 17.7%  | 5.9%   | 10.3%  | 10.9%  | 11.6%  |
|            | PATM (%)                      | 9.0%   | -1.4%  | 2.3%   | 4.3%   | 4.8%   |
|            | ROCE (%)                      | 13.6%  | 6.1%   | 14.5%  | 12.8%  | 11.7%  |
|            | RONW (%)                      | 15.5%  | -2.6%  | 5.7%   | 10.1%  | 10.8%  |
|            | Div Payout-%                  | 19.7%  | -82.3% | 55.1%  | 31.0%  | 28.6%  |
|            | Current Ratio                 | 0.2    | 0.2    | 0.3    | 0.2    | 0.2    |
|            | Quick Ratio                   | 0.7    | 0.6    | 0.7    | 0.6    | 0.6    |

|             |     |     |     |     |     |
|-------------|-----|-----|-----|-----|-----|
| Debt-Equity | 1.4 | 1.2 | 0.9 | 1.0 | 1.3 |
| Debt-EBITDA | 3.3 | 4.8 | 2.4 | 2.7 | 3.5 |

Daily Closing Price Chart



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